

16 003912
Mar. 20, 1978

Official Statement

Santa Margarita Water District

Orange County, California

\$6,500,000

Bonds for Improvement District No. 1-W, Mission Viejo 1972 Water Bonds

(General Obligations)

Handwritten signature

*Orange County - Economic conditions
Mission Viejo -
" " - Water supply
Bonds - California - Mission Viejo
Retention & future disposal - Finance
" " - Mission Viejo*

INSTITUTE OF GOVERNMENTAL
STUDIES LIBRARY

MAY 1 1978

UNIVERSITY OF CALIFORNIA

Bids to be received on behalf of the District at the office of Bank of America N.T. & S.A.,
(Corporate Agency Division), Sixth Floor Conference Room, 555 South Flower Street,
Los Angeles, California 90071 at 11:00 A.M., Monday, May 15, 1978.

76 00391.2

INSTITUTE OF GOVERNMENTAL
STUDIES LIBRARY

FEB 22 2024

UNIVERSITY OF CALIFORNIA

NOTICE INVITING BIDS ON GENERAL OBLIGATION BONDS OF SANTA MARGARITA WATER DISTRICT FOR IMPROVEMENT DISTRICT NO. 1-W, MISSION VIEJO

NOTICE IS HEREBY GIVEN that sealed proposals for the purchase of \$6,500,000 par value general obligation bonds of Santa Margarita Water District of Orange County, California, for Improvement District No. 1-W, Mission Viejo, will be received by the Board of Directors of said District at the place and up to the time below specified:

TIME: May 15, 1978
11:00 o'clock A.M.

PLACE: Corporate Agency Division
Bank of America National Trust and Savings Association
6th Floor Conference Room
555 South Flower Street
Los Angeles, California

MAILED BIDS: Santa Margarita Water District
c/o Fritz Stradling, Secretary
Corporate Agency Division
Bank of America National Trust and Savings Association
6th Floor Conference Room
555 South Flower Street
Los Angeles, California 90071

OPENING OF BIDS: The bids will be received and opened at 11:00 o'clock A.M. on May 15, 1978 and presented at a meeting of the Board of Directors to be held at 2:00 o'clock P.M. on said date at 25571 Marguerite Parkway, Mission Viejo, California.

ISSUE: \$6,500,000 designated "Bonds of Santa Margarita Water District for Improvement District No. 1-W, Mission Viejo, 1972 Water Bonds (herein called the "bonds"), consisting of 1300 bonds, numbered 1 to 1300, both inclusive, of the denomination of \$5,000 each, dated May 15, 1978.

MATURITIES: The bonds will mature in consecutive numerical order on May 15 in the amounts for each of the several years as follows:

<u>Years Inclusive</u>	<u>Principal Amount</u>	<u>Years Inclusive</u>	<u>Principal Amount</u>
1980	\$100,000	1993	\$245,000
1981	110,000	1994	265,000
1982	120,000	1995	280,000
1983	125,000	1996	305,000
1984	140,000	1997	325,000
1985	150,000	1998	345,000
1986	155,000	1999	370,000
1987	165,000	2000	395,000
1988	180,000	2001	425,000
1989	195,000	2002	455,000
1990	200,000	2003	485,000
1991	215,000	2004	520,000
1992	230,000		

INTEREST: The bonds shall bear interest at a rate or rates to be fixed upon the sale thereof but not to exceed seven percent (7%) per annum, payable semiannually on November 15 and May 15 of each year.

PAYMENT: Said bonds and the interest thereon are payable in lawful money of the United States of America at the Corporate Agency Division of the Bank of America National Trust and Savings Association in Los Angeles and San Francisco, California, or at any paying agency of the District in Chicago, Illinois, or New York, New York, at the option of the holder thereof.

REGISTRATION: The bonds will be coupon bonds registrable only as to both principal and interest and the bonds

discharged from registration, all in accordance with the provisions in the resolution providing for the issuance of the bonds.

REDEMPTION: The bonds maturing on or prior to May 15, 1992, shall not be subject to call or redemption prior to maturity. The bonds maturing on or after May 15, 1993, or any of them, may be called before maturity and redeemed at the option of the Board of Directors of the District on May 15, 1992, or any interest payment date thereafter prior to maturity, at a redemption price for each redeemable bond equal to the principal amount thereof, plus a premium equal to one-fourth of one percent ($\frac{1}{4}$ of 1%) of said principal amount for each year or portion thereof from the redemption date to the maturity date. All or any of the bonds subject to call may be called for redemption at any one time. If less than all of the bonds are redeemed at any one time, such bonds shall be redeemed only in inverse order of maturity and by lot within a single maturity.

PURPOSE OF ISSUE: The bonds were authorized for the acquisition and construction of waterworks facilities in Improvement District No. 1-W, Mission Viejo.

SECURITY: The bonds are issued pursuant to Chapter 3.5 of Part 6 of Division 13 and in particular Section 36262 of the Water Code, and are payable from unlimited ad valorem assessments upon land within Improvement District No. 1-W, Mission Viejo, or from water charges which, pursuant to Section 36425 of the Water Code, may be fixed and collected in lieu thereof.

TERMS OF SALE

INTEREST RATE: The maximum rate bid may not exceed seven percent (7%) per annum, payable semiannually on November 15 and May 15 of each year. Each rate bid must be a multiple of one-twentieth of one percent ($\frac{1}{20}$ of 1%). No bond shall bear more than one interest rate, and all bonds of the same maturity shall bear the same rate. Each bond must bear interest at the rate specified in the bid from its date to its fixed maturity date. Only one coupon will be attached to each bond for each installment of interest thereon, and bids providing for additional or supplemental coupons will be rejected. The rate on any maturity or group of maturities shall not be more than 2% higher than the interest rate on any other maturity or group of maturities.

AWARD: The bonds shall be sold at a price equal to their par value or above or below their par value, except that any discount bid shall not exceed one percent (1%) of the par value of the bonds. The bonds shall be sold for cash only. All bids must be for not less than all of the bonds hereby offered for sale and each bid shall state the total price offered for the bonds, the premium or the discount, if any, and the interest rate or rates not to exceed that specified herein, at which the bidder offers to buy said bonds, and that the bidder will pay accrued interest to the date of delivery. Each bidder shall state in his bid the total net interest cost in dollars and the average net interest rate determined thereby, which shall be considered informative only and not a part of the bid.

HIGHEST BIDDER: The bonds will be awarded to the highest responsible bidder or bidders considering the interest rate or rates specified and the premium or the discount offered, if any. The highest bid will be determined by deducting the amount of the premium bid (if any) from the total amount of interest which the District would be required to pay from the date of said bonds to the respective maturity dates thereof at the coupon rate or rates specified in the bid. The net cost to the District on any bid or bids offering less than par will be determined by adding to the total amount of interest which

the District would be required to pay from the date of said bonds to the respective maturity dates thereof at the coupon rate or rates specified in the bid amount of the discount bid. The award will be made to the bidder or bidders offering the lowest net cost to the District. In the event that two or more bidders have bid the same lowest net cost to the District, the award shall be made by lot. The purchaser must pay accrued interest (computed on a 360-day year basis) from the date of the bonds to the date of delivery. The cost of printing the bonds will be borne by the District.

RIGHT OF REJECTION: The District reserves the right, in its discretion, to reject any and all bids and, to the extent not prohibited by law, to waive any irregularity or informality in any bid.

PROMPT AWARD: The District will take action awarding the bonds or rejecting all bids not later than twenty-six (26) hours after the expiration of the time herein prescribed for the receipt of proposals, provided that the award may be made after the expiration of the specified time if the bidder shall not have given to said Board notice in writing of the withdrawal of such proposal.

PLACE OF DELIVERY; FUNDS FOR PAYMENT: Delivery of the bonds will be made to the successful bidder at Jeffries Banknote Company, 1330 W. Pico Boulevard, Los Angeles, California, or at any other place agreeable to both the Treasurer of the District and the successful bidder.

PROMPT DELIVERY; CANCELLATION FOR LATE DELIVERY: It is expected that the bonds will be delivered to the successful bidder within thirty (30) days from the date of sale thereof. The successful bidder shall have the right, at his option, to cancel the contract of purchase if the District shall fail to execute the bonds and tender them for delivery within sixty (60) days from the date herein fixed for the receipt of bids, and in such event the successful bidder shall be entitled to the return of the check accompanying his bid.

FORM OF BID: Each bid, together with the bid check, must be enclosed in a sealed envelope, addressed to the District with the envelope and bid clearly marked "Proposal for Santa Margarita Water District, Improvement District No. 1-W, Mission Viejo, 1972 Water Bonds".

BID CHECK: A certified or cashier's check on a responsible bank or trust company in the amount of \$65,000 payable to the order of the District must accompany such proposal as a guaranty that the bidder, if successful, will accept and pay for the bonds in accordance with the terms of his bid. The check accompanying any accepted proposal shall be applied on the purchase price, or if such proposal is accepted but not performed, unless such failure of performance shall be caused by any act or omission of the District, shall then be cashed and the proceeds retained by the District and be applied by the District in partial satisfaction of whatever actual damages the District may suffer by reason of the successful bidder's failure to perform hereunder in accordance with the terms of sale. In such instance, should the District's actual damages be determined to be less than said amount, thirty (30) days after any such determination by a court having jurisdiction thereof becomes final, the balance of said amount shall be returned to the successful bidder. Should the successful bidder fail to perform hereunder, the District may also recover all costs relating thereto, including a reasonable amount for attorney's fees. The check accompanying each unaccepted proposal will be returned promptly.

CHANGE IN TAX EXEMPT STATUS: At any time before the bonds are tendered for delivery the successful bidder may disaffirm and withdraw the proposal if the interest received by private holders from bonds of the same type and character shall be declared to be taxable income under present federal income tax laws, either by a ruling of the Internal Revenue Service or by a decision of any federal court, or shall be declared taxable, or shall be required to be taken into account in computing any federal income taxes, by the terms of any federal income tax law enacted subsequent to the date of this notice.

CLOSING PAPERS: Each proposal will be understood to be conditioned upon the District's furnishing to the purchaser, without charge, concurrently with payment for and delivery of the bonds, the following closing papers, each dated the date of delivery:

(a) Legal Opinion—The legal opinion of Stradling, Yocca, Carlson & Rauth, Bond Counsel, Newport Beach, California, approving the validity of the bonds will be furnished the successful bidder at or prior to the time of delivery of the bonds, at the expense of the District. A copy of that opinion, certified by an officer of the District by his facsimile signature, will be printed on the back of each bond. No charge will be made to the purchaser for such printing or certification;

(b) A certification of the District certifying that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the bonds will be used in a manner that would cause the bonds to be arbitrage bonds;

(c) A certificate of the District signed by officers and representatives of the District certifying to the following: (1) that said officers and representatives have signed the bonds, whether by facsimile or manual signature, and that they were respectively duly authorized to execute the same; and (2) that there is no litigation pending affecting the validity of the bonds;

(d) The receipt of the District showing that the purchase price of the bonds, including interest accrued to the date of delivery thereof, has been received by the District;

(e) A certificate of the District, signed by the Director of Finance of the District, acting in his official capacity, to the effect that to the best of his knowledge and belief, and after reasonable investigation: (1) Neither the official statement relating to the Bonds nor any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (2) since the date of the official statement no event has occurred which should have been set forth in an amendment or supplement to the official statement which has not been set forth in such an amendment or supplement; nor (3) has there been any material adverse change in the operation or financial affairs of the District since the date of such official statement.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the bonds but neither the failure to print such number on any bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for said bonds in accordance with the terms of the purchase contract. All expenses in relation to the printing of CUSIP numbers on said bonds shall be paid for by the issuer; provided, however, that the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the purchaser.

OFFICIAL STATEMENT: The District has prepared an official statement relating to the bonds, a copy of which will be furnished upon request addressed to:

Stone & Youngberg Municipal Financing Consultants, Inc.
One California Street, Suite 2750
San Francisco, California 94111
(415) 989-2300

The District will provide the successful bidder 250 copies of the official statement at the expense of the District.

GIVEN by order of the Board of Directors of Santa Margarita Water District, adopted March 20, 1978.

FRITZ R. STRADLING
Secretary of the Board of Directors
of Santa Margarita Water District

**SANTA MARGARITA WATER DISTRICT
IMPROVEMENT DISTRICT NO. 1-W, MISSION VIEJO
Orange County, California**

BOARD OF DIRECTORS

Thomas C. Blum, *President*

Robert Clark, *Vice President*

Robert Wilhelm, *Vice President*

Donald Schone, *Vice President*

Warren W. Wilson, *Vice President*

DISTRICT STAFF

W. W. Knitz, *General Manager*

James H. Smith, *Chief Engineer*

Michael P. Lord, *Director of Finance*

Fritz R. Stradling, *Secretary and Legal Counsel*

SPECIAL SERVICES

Stradling, Yocca, Carlson & Rauth, *Newport Beach
Bond Counsel*

Robert Bein, William Frost & Associates, *Newport Beach
Professional Environmental Engineers and Planners*

Stone & Youngberg Municipal Financing Consultants, Inc., *San Francisco
Financing Consultants*

Bank of America N.T. & S.A., *Los Angeles and San Francisco*
The Chase Manhattan Bank, N.A., *New York City*
Harris Trust & Savings Bank, *Chicago*
Paying Agents

THE DATE OF THIS OFFICIAL STATEMENT IS MARCH 20, 1978

DIRECTORS & OFFICERS

THOMAS C. BLUM
PRESIDENT

ROBERT S. CLARK
VICE PRESIDENT

DON B. SCHONE
VICE PRESIDENT

ROBERT WILHELM
VICE PRESIDENT

WARREN W. WILSON
VICE PRESIDENT

FRITZ R. STRADLING
SECRETARY
GENERAL COUNSEL

KENNETH A. MULLER
TREASURER

W. W. KNITZ
GENERAL MANAGER

JAMES H. SMITH
CHIEF ENGINEER

santa margarita
water district



25571 MARGUERITE PARKWAY (POST OFFICE BOX 2279) MISSION VIEJO, CALIFORNIA 92675 (714) 586-1973

March 20, 1978

TO WHOM IT MAY CONCERN:

The purpose of this Official Statement is to supply information to prospective bidders on and buyers of Improvement District No. 1-W, Mission Viejo, \$6,500,000 1972 Water Bonds, authorized and issued for the purpose of assisting in the financing of water system improvements and paying of expenses in connection with bond issuance.

The material contained in this Official Statement was prepared by Stone & Youngberg Municipal Financing Consultants, Inc., in the capacity of financing consultant to the Santa Margarita Water District with regard to its Improvement District No. 1-W, Mission Viejo, 1972 Water Bonds. (Such firm will receive compensation from the District contingent upon the sale and delivery of the Bonds.) Summaries herein presented of the Resolution of Issuance, Notice Inviting Bids, proposed project improvements, and financial and economic data do not purport to be complete, and reference is made to the documents on file in the office of the Secretary of the District for further information. Statements which involve estimates or opinions, whether or not expressly so described herein, are intended solely as such and are not to be construed as factual reports.

The Official Statement does not constitute a contract with the buyers or holders, from time to time, of the Bonds. The Resolution of Issuance, which does constitute such a contract, is available to any prospective bidder on request from said Secretary.

The legal opinion, approving the validity of the Bonds, will be furnished by Stradling, Yocca, Carlson & Rauth, Newport Beach, California, Bond Counsel. Bond Counsel's participation in the preparation of this Official Statement has been limited to reviewing the statements of law and legal conclusions as set forth herein under the heading "The Bonds".

No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The execution and distribution of this Official Statement have been duly authorized by the District.

SANTA MARGARITA WATER DISTRICT

/s/ THOMAS C. BLUM

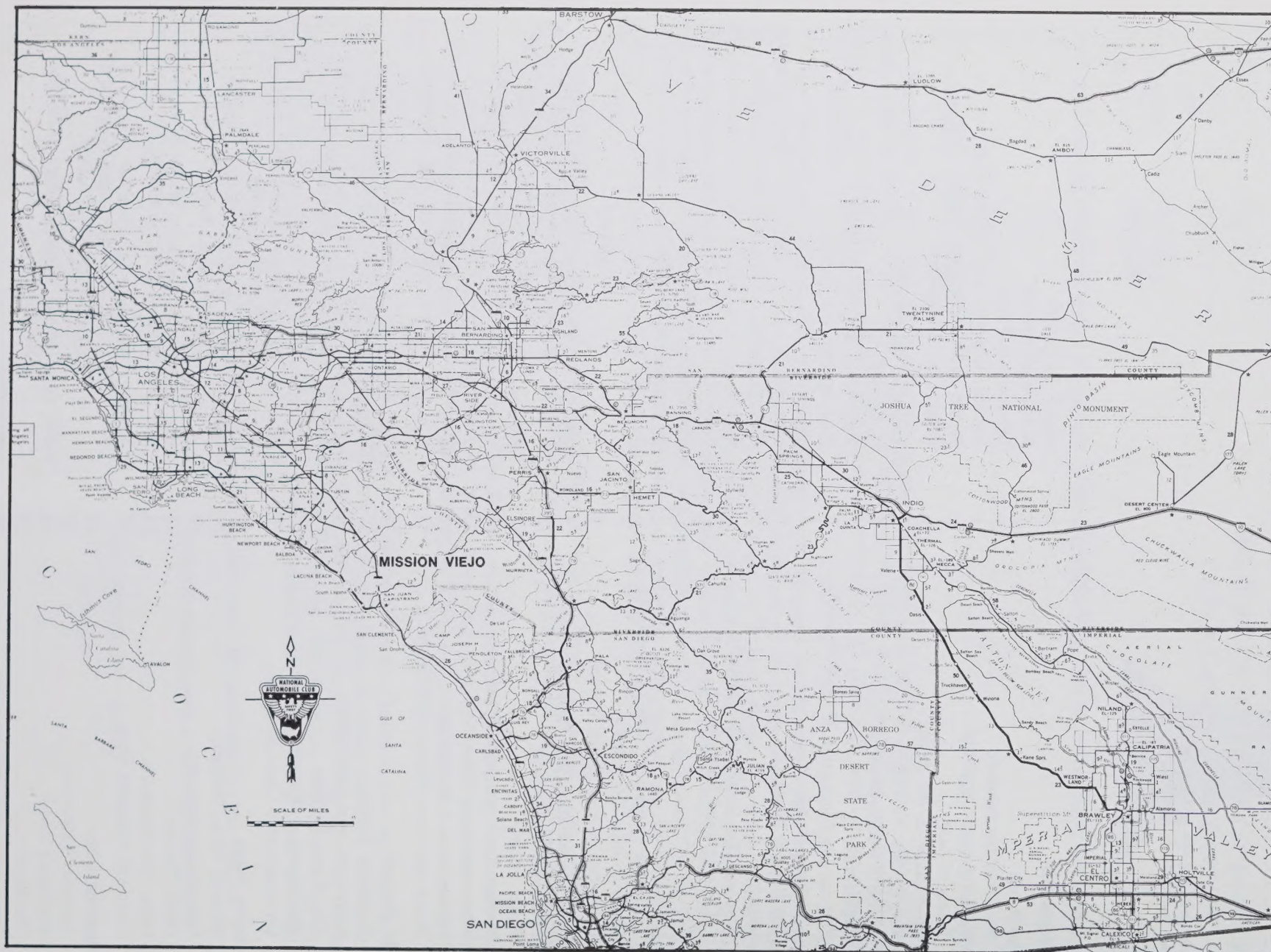
President

/s/ FRITZ. R. STRADLING

Secretary

CONTENTS

Introduction	1	Major Taxpayers	24
The Bonds	3	Retirement System	24
Authority for Issuance	3	Insurance in Effect	25
State Treasurer Approval	3	Income, Expenses and Balance Sheet	25
Terms of Sale	3	Direct and Overlapping Bonded Debt	25
Description of the Bonds	3	Other Debt Obligations	25
Redemption Provisions	4	Economy of the District	31
Notice of Redemption	4	Geography	31
Registration	4	Population and Development	31
Purpose and Disposition of Bond Proceeds ..	4	Employment and Income	31
Additional Bonds	4	Industry	32
Tax Exempt Status	4	Commerce	32
Security	4	Transportation	33
Proposed Tax Limitation—Initiative		Utilities	35
Constitutional Amendment	5	Education	35
The Behr Act	5	Community Facilities	35
Legal Opinion	7	Recreation and Tourism	35
Certificate Concerning Official Statement ..	7		
Other Closing Documents	7		
Estimated Annual Bond Service	8		
District Organization and Facilities	9		
Improvement Districts	11		
Water Supply	12		
Sewage Treatment and Disposal	12		
Water and Sewer Connections	12		
Operation and Maintenance	13		
Water and Sewer Rates and Charges	13		
The Projects	14		
Financing Policy	14		
Reimbursement Agreements	14		
The Water Projects	14		
The Sewerage Projects	15		
Environmental Considerations	15		
Mission Viejo	16		
Mission Viejo Company	16		
Current Development	16		
Home Values	18		
Other Developments	18		
Company Financial Data	19		
Financial Data	22		
Assessed Valuations	22		
Appraised Value	23		
Tax Rates	23		
Tax Levies and Delinquencies	24		
		TABLES	
		Table 1. Improvement District No. 1-W—	
		Estimated Annual Bond Service ..	8
		Table 2. Improvement District No. 1-W—	
		Estimated Project and Financing	
		Costs	14
		Table 3. Improvement District No. 1-S—	
		Estimated Project and Financing	
		Costs	15
		Table 4. Philip Morris, Inc.—Statement of	
		Earnings	19
		Table 5. Philip Morris, Inc.—Balance	
		Sheets	21
		Table 6. Improvement District No. 1-W—	
		Income and Expenses	27
		Table 7. Santa Margarita Water District—	
		Income and Expenses	28
		Table 8. Santa Margarita Water District—	
		Balance Sheet as of June 30, 1977	29
		Table 9. Improvement Districts Nos. 1-S	
		and 1-W—Direct and Estimated	
		Overlapping Bonded Debt	30
		Table 10. Orange County Major Industrial	
		Employers	34
		APPENDIX	A-1



Map showing Mission Viejo and its location in Southern California. The portion of Mission Viejo located within the Santa Margarita Water District comprises Improvement Districts Nos. 1-S and 1-W of the District.

INTRODUCTION

The \$6,500,000 principal amount of Santa Margarita Water District 1972 Water Bonds for Improvement District No. 1-W, Mission Viejo, (hereinafter referred to as Improvement District No. 1-W) which are currently offered for sale are the total authorized 1972 Water Bonds. After sale of these Bonds, there will be \$7,050,000 authorized but unissued 1968 Water Bonds. The District has previously issued \$17,950,000 of 1968 Water Bonds in four series.

The \$6,500,000 principal amount of Santa Margarita Water District 1968 Sewer Bonds, Series D, for Improvement District No. 1-S, which are also currently offered for sale (these Bonds are the subject of a separate official statement) are the fourth series of a total \$30,000,000 authorized sewer bonds. After sale of the Series D Bonds, there will be \$6,800,000 authorized but unissued sewer bonds.

The water bond proceeds will be used to finance construction of water system improvements needed to serve present and future homeowners within the improvement district, repayment of developer loans, establish a bond reserve and pay costs of bond issuance, as detailed in the section of this official statement entitled "The Project."

Improvement Districts Nos. 1-W and 1-S comprise the portion of the planned community of Mission Viejo located within the Santa Margarita Water District. Mission Viejo is a development of Mission Viejo Company, a subsidiary of Philip Morris, Incorporated.

The overall District, including improvement districts therein, is a landowner district and ad valorem taxes or assessments are levied upon land only. The 1977/78 assessed valuation (land only) of the improvement district is \$31,069,830. The 1977/78 assessed valuation of all property within the improvement district is \$63,820,620. Fair market value of land only in the improvement district was appraised at \$258,000,000 as of March 1978 by Cedric A. White, Jr., M.A.I./Philip S. Jackson, M.A.I. A copy of the appraisal letter of transmittal is included as an appendix to this official statement. Capital investment within the improvement district by the developer, Mission Viejo Company, totalled \$119.2 million as of January 31, 1978.

Mission Viejo is located in southern Orange County about 20 miles southeast of Santa Ana, the county seat, and 55 miles southeast of Los Angeles. It is served by Interstate 5, the major north-south

freeway on the Pacific Coast, providing easy access to virtually anywhere in the nation. Development of Mission Viejo began in 1966 in the adjacent Moulton Niguel Water District. Development within the Santa Margarita Water District's improvement districts began in 1971 and by January 1978 had reached 4,737 completed homes and an estimated population of 16,579. As of the same date, total Mission Viejo development, both within and outside the Santa Margarita Water District, totalled 12,746 dwelling units and a population of approximately 44,600. The developer plans to market about 1,800 homes per year through 1982. Completion of development is expected to occur in 1986/87. Current home prices range from \$73,000 to \$140,000. Recently, the demand for new homes has exceeded supply throughout the southern Orange County area.

Orange County is one of the fastest growing urban areas in the nation. Growth within the county is principally in the southern portion on former ranch lands, which includes Mission Viejo. Since 1960, the county's population has increased from 703,925 to 1,799,700 (July 1977 State Department of Finance estimate), or 256%. During the same period,

the county's assessed valuation increased from \$1,271,871,200 to \$10,168,401,047, an increase of almost eight times.

The entire Santa Margarita Water District comprises about 63,000 acres, of which 6,655 are in coterminous Improvement Districts Nos. 1-W and 1-S. The 1977/78 assessed valuation on land only for the entire District is \$39,628,520, of which \$31,069,830 comprises Improvement Districts Nos. 1-W and 1-S. For the period 1971/72-1976/77, secured tax delinquencies averaged 0.49% for Improvement Districts Nos. 1-W and 1-S.

Including the 1972 Water Bonds and 1968 Sewer Bonds, Series D, both currently offered, the outstanding general obligation bonded debt for Improvement Districts Nos. 1-W and 1-S will be \$23,675,000 and \$22,890,000, respectively. The two improvement districts' total direct and estimated overlapping bonded debt will be \$51,161,429, or 164.63% and 80.16% of the 1977/78 assessed valuations on land only, and on all property, respectively. The total debt will be 19.83% of the 1978 estimated market value of land only, as established by an independent appraiser.

Finisterra Condominiums under construction on the shore of Lake Mission Viejo. Photograph taken in March 1978.



THE BONDS

Authority for Issuance

The \$6,500,000 Santa Margarita Water District Bonds for Improvement District No. 1-W, 1972 Water Bonds ("the Bonds" or "the 1972 Bonds") now being offered for sale represent the total amount of general obligation bonds authorized by Resolution No. 111 on October 16, 1972 by notice and hearing for the Improvement District, pursuant to Chapter 3.5, Part 6, Division 13 of the California Water Code. The Bonds will be issued pursuant to the provisions of Section 36262 in lieu of the bonds authorized on October 16, 1972 pursuant to said Chapter 3.5 and a resolution of the District Board of Directors adopted March 20, 1978. Proceeds from the sale of the bonds will be used to finance water system improvements for the Improvement District.

State Treasurer Approval

The California District Securities Division (DSD), office of the State Treasurer, is a State agency as provided under Division 10 of the Water Code. The Districts Securities Advisory Commission consists of a representative of the Department of Water Resources and six other members, all appointed by the State Treasurer. The Advisory Commission reviews the construction and financing programs of certain types of water and sewer districts, and offers advice and recommendations to the State Treasurer for appropriate action. Sale of bonds of these districts is subject to the approval of the State Treasurer for certification by the State Controller.

The Santa Margarita Water District is subject to jurisdiction of the State Treasurer through the DSD. Prior to approval of the bond sale, the division staff makes a thorough investigation of the project, bond security, terms and conditions. Expenditure of bond proceeds must also be approved by the State Treasurer. The District must also file an annual report of revenues and expenses both with the DSD and the State Controller.

Application for permission to sell the Bonds has been made to the State Treasurer and approval is expected prior to the sale date of the Bonds.

Terms of Sale

Bids for the purchase of the Bonds will be received by a representative of the Board of Directors of the Santa Margarita Water District at 11:00 A.M., Monday, May 15, 1978, in the Sixth Floor Conference Room, Bank of America N.T. & S.A. (Corporate Agency Division), 555 South Flower Street, Los Angeles, California 90071. It is anticipated that award of the Bonds to the successful bidder will be made by the Board of Directors at its meeting later on the same date. Details of the terms of sale are included in the Notice Inviting Bids dated March 20, 1978, a copy of which accompanies this official statement as originally distributed. The District has not applied for ratings from the bond rating agencies.

Description of the Bonds

The \$6,500,000 principal amount of Bonds will be dated May 15, 1978 and will be issued in denominations of \$5,000 each. The Bonds will be numbered 1 through 1300 and will be payable annually on May 15 of each year as shown in the following tabulation.

MATURITY SCHEDULE

Maturity Date May 15	Principal Amount	Maturity Date May 15	Principal Amount
1980 ...	\$100,000	1993 ...	\$245,000
1981 ...	110,000	1994 ...	265,000
1982 ...	120,000	1995 ...	280,000
1983 ...	125,000	1996 ...	305,000
1984 ...	140,000	1997 ...	325,000
1985 ...	150,000	1998 ...	345,000
1986 ...	155,000	1999 ...	370,000
1987 ...	165,000	2000 ...	395,000
1988 ...	180,000	2001 ...	425,000
1989 ...	195,000	2002 ...	455,000
1990 ...	200,000	2003 ...	485,000
1991 ...	215,000	2004 ...	520,000
1992 ...	230,000		

Interest is payable semi-annually on November 15 and May 15 in each year, commencing November 15, 1978. Interest and principal are payable at the Corporate Agency Division of the paying agent, Bank of America N.T. & S.A., Los Angeles or San Francisco, California, or at paying agents of the District in New York, New York and Chicago, Illinois.

Redemption Provisions

Bonds maturing on or before May 15, 1992, a total principal amount of \$2,085,000, are not subject to call and redemption prior to their fixed maturity dates. Bonds maturing on or after May 15, 1993, a total principal amount of \$4,415,000, are subject to call and redemption, at the option of the District, as a whole or in part in inverse order of maturity and by lot within a single maturity on May 15, 1992, or on any interest payment date thereafter, upon payment of a redemption price equal to the principal thereof plus a premium of one-fourth of one percent of such principal amount for each year or fraction of a year from the redemption date to the maturity date of the Bonds called for redemption. The maximum premium payable upon call of the Bonds for redemption on or after May 15, 1992 would be three percent.

Notice of Redemption

Notice of redemption is to be published in a financial newspaper or financial journal, published in the City of New York, New York. The first publication must be at least 30 days but not more than 60 days prior to the redemption date. The paying agent is required to give written notice to the owners of any registered Bonds.

Registration

The Bonds will be issued as coupon bonds and will be registrable only as to both principal and interest, with the privilege of discharge from registration and re-registration, all in accordance with the provisions in the resolution providing for the issuance of the Bonds.

Purpose and Disposition of Bond Proceeds

The proceeds from the sale of the Bonds will be used to finance construction of water system improvements, as detailed in the section of this official statement entitled "The Projects."

Under the provisions of the Resolution of Issuance for the Bonds, bond proceeds will be applied as follows:

- (1) A sum equal to the maximum annual interest on the 1972 Bonds outstanding (calculated excluding the first eighteen months' interest, which is to be funded from Bond proceeds) will

be deposited in the Reserve Fund established for the 1972 Bonds.

- (2) The balance, which will include a sum equal to the first eighteen months' interest on the 1972 Bonds, will be deposited in the Construction Fund.

The estimated amount of Bond proceeds to be used for each of the specified purposes is as shown in the tabulation below.

1972 Water Bonds

Disposition of Bond Proceeds

Total project costs	\$5,302,500
Funded Interest (18 mos. @ 7%) ...	682,500
Reserve Fund (maximum annual interest)	451,500
Provision for bond discount (1% maximum)	65,000
Costs of issuance	75,000
Subtotal	\$6,576,500
Less Interest earnings	(76,500)
Principal Amount of Bonds ..	<u>\$6,500,000</u>

Additional Bonds

After sale of the 1972 Bonds currently offered, Improvement District No. 1-W will have \$7,050,000 authorized but unsold 1968 general obligation bonds.

Tax Exempt Status

In the opinion of Bond Counsel, interest on the Bonds is exempt from present federal income taxes and from State of California personal income taxes under existing statutes, regulations and court decisions.

Security

The Bonds are general obligations of Improvement District No. 1-W of the Santa Margarita Water District and the Board of Directors has the power and is obligated to levy annual ad valorem assessments for payment of the Bonds and the interest thereon upon land only within the Improvement District without limitation as to rate or amount. The foregoing obligations, however, may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights. At the option of the Board of Directors, other Improvement District

funds which are not special purpose funds restricted by law to specific uses may be used to meet bond service.

It is noted that the District Board of Directors have adopted a policy regarding the method by which moneys will be raised from water sales, ad valorem assessments, standby charges, connection fees and acreage assessments. This policy states that all water system expenses including bond service will be met from: (a) Water sales rates maintained at their current level, except to adjust them for changes in purchased water costs and operating costs; (b) Ad valorem assessment rate will not exceed \$2.00 per \$100 assessed value of land only; (c) Acreage assessment rate will not exceed \$2.50 per year per developed residential lot, or its equivalent. The balance of necessary revenues will be obtained from: (d) Connection fees paid by developers; (e) Acreage assessments levied on undeveloped lands; and (f) Miscellaneous revenue sources of the District.

Proposed Tax Limitation—Initiative Constitutional Amendment

The District has been made aware of a proposed initiative measure entitled “Tax Limitation—Initiative Constitutional Amendment”, commonly known as the “Jarvis-Gann Initiative,” which has qualified for a place on the ballot at the June 6, 1978 state-wide election.

The office of the Attorney General has provided the following summary of the measure:

“TAX LIMITATION—INITIATIVE CONSTITUTIONAL AMENDMENT. Limits ad valorem taxes on real property to 1% of value except to pay indebtedness previously approved by voters. Establishes 1975-1976 assessed valuation base for property tax purposes. Limits annual increases in value. Provides for reassessment after sale, transfer, or construction. Requires 2/3 vote of Legislature to enact any change in state taxes designed to increase revenues. Prohibits imposition by state of new ad valorem, sales, or transaction taxes on real property. Authorizes imposition of special taxes by local government (except on real property) by 2/3 vote of qualified electors. Financial impact: Commencing with fiscal year beginning July 1, 1978, would result in annual losses of local government property tax revenues (approximately \$7 billion in 1978-79 fiscal year), reduction in annual state costs (approximately \$600 million in 1978-79 fiscal year), and restriction on future

ability of local governments to finance capital construction by sale of general obligation bonds.”

The District can neither predict whether or not the Initiative will be approved by the voters nor whether or not the validity of the Initiative will, if thereafter challenged, be upheld, in whole or in part, by the courts. However, if the measure were to be approved by the voters and upheld by the courts, ad valorem assessments of the District and of improvement districts thereof for purposes other than the payment of the debt service on bonds of the District or of an improvement district thereof approved by the voters would be substantially reduced. The Bonds, although authorized by notice and hearing, will be issued prior to the effective date of the Jarvis-Gann Amendment, will, in the opinion of the District's Bond Counsel, be general obligations of the District for Improvement District No. 1-W payable from an unlimited ad valorem assessment which may be levied on land only within Improvement District No. 1-W. The District cannot predict or give assurance that the Initiative, if approved, will not affect the District's ability to levy and collect charges to holders of title to land, sometimes referred to as water availability charges or acreage assessments, which may be used to defray the ordinary operation and maintenance expenses of the District or of an improvement district thereof.

The Behr Act

On March 3, 1978, the Governor of the State of California signed urgency legislation S.B. No. 1 (commonly known as the “Behr Bill”) which provides an alternative approach to property tax relief in place of the Jarvis/Gann Initiative Amendment. The Behr Bill is Chapter 24 of the current 1977-78 regular session of the Legislature and takes effect immediately as an urgency statute; however, the bill specifies various operative dates for its provisions.

The Legislative Counsel's Digest for the bill as finally adopted is as follows:

LEGISLATIVE COUNSEL'S DIGEST

Under existing law, all taxable property on the secured roll is subject to taxation at the same rate, while property on the unsecured roll is subject to taxation at the rate applied to the secured roll for the prior fiscal year, and the first \$7,000 of the full value of an owner-occupied dwelling is exempted from taxation.

This bill would provide for the taxation of owner-occupied dwellings at a different rate than other taxable property.

Existing law limits the maximum property tax rate which may be levied by local agencies.

This bill would revise the method of computing maximum property tax rates so that local agencies shall receive a specified amount of tax revenues, reduced by certain reduced costs of specified social service programs.

Existing law authorizes a \$37 credit against taxes due under the Personal Income Tax Law for qualified renters. If the amount of the credit exceeds income tax liability, the excess is paid to the claimant.

This bill would change the amount of the credit or payment to \$75, commencing with taxable years beginning on and after January 1, 1978.

Under existing law, payments of state funds are made to homeowners and renters 62 years of age or older on the basis of a percentage (determined by total household income) of property taxes paid by homeowners or the statutory property tax equivalent presumed to be paid by renters.

This bill would revise the schedule of benefits payable to homeowners and renters.

Existing law does not limit the amount of revenues collected by the State of California.

This bill would set a state revenue limit which is increased annually by the percentage increase in California Personal Income multiplied by a revenue elasticity factor.

Under existing law, counties are required to pay a specified share of the costs of the Supplementary Program for the aged, blind and disabled and specified Medi-Cal programs.

This bill would alter counties' shares of such programs according to a formula.

This bill would become operative only if Proposition 8 on the ballot for the June 6, 1978 election is approved by the voters and Proposition 13 on such ballot is rejected by the voters, or is declared unconstitutional by the courts.

The bill would take effect immediately as an urgency statute, but would specify various operative dates for its provisions.

The main effect of the Behr Bill is a reduction in the rate of taxation on owner-occupied dwellings as

compared to other taxable property. The Behr Bill adds Sections 2350 to 2355 to the Revenue and Taxation Code which provide for a reduction of approximately 30% in the total ad valorem property tax rate which would apply to owner-occupied dwellings. Said Section 2355 provides further that the State Controller shall reimburse each County Auditor for the amount of revenue loss by each taxing agency due to the tax rate reductions from State funds and the section provides the County Auditor shall allocate the reimbursement to local agencies as though the amounts had been paid by the taxpayers.

While the Behr Bill provides a lesser amount of direct property tax relief, it does provide alternative sources of funding local government losses, primarily through state reimbursement programs as noted above. However, the bill also contains various revenue limitation provisions (which in part continue existing limitations) which could affect the amount of future tax revenues which may be received by the District for operating expenses.

The Behr Bill will become law in its entirety only if (1) it is approved by the voters at the June 6 statewide election and (2) if the Jarvis/Gann Initiative is defeated or declared unconstitutional by the courts.

Constitutional Amendment No. 8

Also appearing on the June 6, 1978 ballot as Proposition No. 8 thereon is California Senate Constitutional Amendment No. 6. The proposed amendment would add Section 9.5 to Article XIII of the California Constitution to read as follows:

"PROPERTY TAXATION—OWNER OCCUPIED DWELLINGS CONSTITUTIONAL AMENDMENT

Section 9.5. The Legislature may provide for the taxation of owner occupied dwellings, as defined by the Legislature, or any fraction of the value thereof, at a rate lower than that levied on other property. In no event may the tax rate levied on other property be increased as a result of lowering the tax rate levied on owner occupied dwellings."

The Legislative Counsel's Digest of this proposed amendment as found in Resolution Chapter 85 of the 1977-78 Regular Session of the California Legislature is reprinted below.

"The existing Constitution provides that all property is taxable at the same percentage of fair value.

This measure would allow Legislature to provide for the taxation of owner occupied dwellings, or any fraction of the value thereof, at a lower rate than that levied on other property, but would prohibit an increase in the tax rate on other property as a result of lowering the tax rate on owner occupied dwellings. The Legislature would be authorized to define 'dwellings'."

The Behr Bill contains language which is specifically intended to satisfy the second sentence of the proposed Constitutional Amendment. Section 44 of Chapter 24 of the 1978 statutes (Behr Bill) provides:

"SEC. 44. (a) It is the intent of the Legislature in enacting Section 2261 of the Revenue and Taxation Code that the provisions of such section are compatible with the provisions of Section 9.5 of Article XIII of the State Constitution, as added by Proposition 8 on the ballot for the statewide election on June 6, 1978. The Legislature intends that the provision of Section 9.5 requiring 'in no event may the tax rate levied on other property be increased as a result of lowering the tax rate on owner-occupied dwellings' is fulfilled by the provision of Section 2261, which prevents the tax rate on property other than owner occupied dwellings from increasing over the prior year's tax rate for such property when the tax rate on owner occupied dwellings is reduced below the tax rate on such dwellings for the prior year.

(b) It is the intent of the Legislature, in enacting Article 10 (commencing with Section 2350) of Chapter 3 of Part 4 of Division 1 of the Revenue and Taxation Code, that the tax rate reductions for owner-occupied dwellings provided in that article comply with the provisions of Section 9.5 of Article XIII of the State Constitution, as added by Senate Constitutional Amendment No. 6 of the 1977-78 Regular Session of the Legislature, because the state directly reimburses local governments for revenue losses resulting from that article, and no shift of tax burden to other property is involved or permitted."

By its terms, the Behr Act will become operative only if (i) Proposition 8, which would amend the California constitution to permit taxation of owner-occupied properties at a different rate than that applicable to other properties, is approved by the voters at the June 6, 1978 election and (ii) Proposition 13, the aforementioned Jarvis-Gann Initiative, is rejected by the voters at the June 6, 1978 election

or declared unconstitutional by the courts. Due to these contingencies, the District cannot predict if the Behr Act will ultimately become operative. If the Act does become operative the District's ability to increase its revenues for operating purposes from ad valorem assessments would be limited.

Legal Opinion

The unqualified opinion of Stradling, Yocca, Carlson & Rauth, Newport Beach, California, Bond Counsel for the District, attesting to the validity of the Bonds, will be supplied free of charge to the purchaser of the Bonds. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each Bond without charge to the successful bidder.

Certificate Concerning Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the successful bidder a certificate, signed by an appropriate officer of the District, acting in his official capacity, to the effect that to the best of his knowledge and belief, and after reasonable investigation: (a) Neither the official statement relating to the Bonds nor any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (b) since the date of the official statement no event has occurred which should have been set forth in an amendment or supplement to the official statement which has not been set forth in such an amendment or supplement; nor (c) has there been any material adverse change in the operation or financial affairs of the District since the date of such official statement.

Other Closing Documents

In addition to the opinion of Bond Counsel and the Certificate Concerning Official Statement described above, the District will, at the time of delivery of the Bonds, furnish the purchaser the following documents, all to be dated as of the date of delivery:

1. *Arbitrage Certificate*. A certificate of a responsible officer of the District certifying that, on the basis of the facts and circumstances in effect at the time of delivery of the Bonds, it is not expected that the proceeds of the Bonds will

be used in a manner that will cause the Bonds to be arbitrage bonds.

2. *Signature—No Litigation Certificate.* A certificate of the respective officers and representatives of the District showing that they have signed the Bonds by manual or facsimile signature, that they were duly authorized to execute the same, and that there is no litigation threatened or pending affecting the validity of the Bonds.

3. *Treasurer's Receipt.* The receipt of the Treasurer of the District showing that the pur-

chase price of the Bonds, including accrued interest to the date of delivery (if any), has been received by the District.

Estimated Annual Bond Service

Table 1 presents an estimate of annual bond service for the \$6,500,000 principal amount of 1972 Water Bonds. Interest is estimated at seven percent per annum. Actual bond service on the Improvement District's outstanding 1968 Water Bonds, Series A through D, is also shown.

Table 1

IMPROVEMENT DISTRICT NO. 1-W SANTA MARGARITA WATER DISTRICT Estimated Annual Bond Service

Year Ending May 15	Estimated Bond Service, 1972 Bonds				1968 Bonds Series A-D Actual Bond Service	Grand Total
	Principal Outstanding	Interest at 7%	Principal Maturing May 15	Total Bond Service		
1979	\$6,500,000	\$ 455,000 ^①	\$ —	\$ 455,000	\$ 1,494,960	\$ 1,949,960
1980	6,500,000	455,000 ^②	100,000	555,000	1,520,357	2,075,357
1981	6,400,000	448,000	110,000	558,000	1,572,388	2,130,388
1982	6,290,000	440,300	120,000	560,300	1,549,926	2,110,226
1983	6,170,000	431,900	125,000	556,900	1,521,786	2,078,686
1984	6,045,000	423,150	140,000	563,150	1,492,758	2,055,908
1985	5,905,000	413,350	150,000	563,350	1,459,158	2,022,508
1986	5,755,000	402,850	155,000	557,850	1,442,120	1,999,970
1987	5,600,000	392,000	165,000	557,000	1,442,908	1,999,908
1988	5,435,000	380,450	180,000	560,450	1,461,483	2,021,933
1989	5,255,000	367,850	195,000	562,850	1,427,163	1,990,013
1990	5,060,000	354,200	200,000	554,200	1,403,682	1,957,882
1991	4,860,000	340,200	215,000	555,200	1,398,039	1,953,239
1992	4,645,000	325,150	230,000	555,150	1,365,587	1,920,737
1993	4,415,000	309,050	245,000 ^③	554,050	1,386,924	1,940,974
1994	4,170,000	291,900	265,000 ^③	556,900	1,372,231	1,929,131
1995	3,905,000	273,350	280,000 ^③	553,350	1,336,176	1,889,526
1996	3,625,000	253,750	305,000 ^③	558,750	1,358,388	1,917,138
1997	3,320,000	232,400	325,000 ^③	557,400	1,320,538	1,877,938
1998	2,995,000	209,650	345,000 ^③	554,650	1,105,913	1,660,563
1999	2,650,000	185,500	370,000 ^③	555,500	1,027,153	1,582,653
2000	2,280,000	159,600	395,000 ^③	554,600	996,268	1,550,868
2001	1,885,000	131,950	425,000 ^③	556,950	523,858	1,080,808
2002	1,460,000	102,200	455,000 ^③	557,200	526,713	1,083,913
2003	1,005,000	70,350	485,000 ^③	555,350	536,775	1,092,125
2004	520,000	36,400	520,000 ^③	556,400	—	556,400
Totals		\$7,885,500	\$6,500,000	\$14,385,500	\$32,043,252	\$46,428,752

① To be paid from Bond proceeds.

② \$227,500 paid from Bond proceeds.

③ Callable, on or after May 15, 1992.

DISTRICT ORGANIZATION AND FACILITIES

Formation and Organization

The Santa Margarita Water District was formed in 1964 pursuant to the California Water District Law (California Water Code Section 34000 et seq.). The District is a landowner-vote district. District formation, election of officers, and authorization of bonds are by vote of qualified electors, defined under the law as owners of the land.

The District is aware of a request by the City Council of the City of Irvine through Assemblyman Ron Cordova, for an opinion of the Attorney General of the State of California as to the constitutionality of landowner voting under a special statute relating only to the Irvine Ranch Water District, a California Water District formed pursuant to the California Water District Law. The City Attorney of the City of Irvine has informed the District that notwithstanding the opinion of the Attorney General on this matter the issue could be litigated or legislative changes in the manner of voting in the Irvine Ranch Water District could be sought. Any such litigation or legislation could affect the future manner of voting for directors and for the authorization of bonds in all California Water Districts. The District's Bond Counsel is of the opinion that any change in the method of voting will not adversely affect the validity of the Bonds or the security for the payment thereof.

Major landholders and their approximate ownerships or options within the District include the following:

Rancho Mission Viejo	40,450 acres
Mission Viejo Company	6,655 acres
Starr Viejo Park	5,500 acres
Coto de Caza Corporation	4,930 acres
Audubon Society Preserve	3,800 acres
Top of the Starr	875 acres
Prima Deshecha Regional Park site ..	950 acres
Total	63,160 acres

The District is governed by a five-member Board of Directors ("the Board") elected on a staggered basis for four-year terms. The present board members and principal staff members are as follows:

Thomas C. Blum—*President of the Board*. Mr. Blum is Vice President of Viejo Management Company and has served on the Board since 1975. Viejo Management Company operates Rancho Mission Viejo Properties.

Robert S. Clark—*Vice President of the Board*. A Vice President of Viejo Management Company, Mr. Clark is Assistant Manager in charge of agriculture for Rancho Mission Viejo. Mr. Clark was elected to the Board in November 1977.

Don B. Schone—*Vice President of the Board*. Mr. Schone, a resident of Mission Viejo, joined the Board in August 1977. Mr. Schone, a civil engineer, is presently Project Engineer of the San Onofre Nuclear Project for the Southern California Edison Company.

Robert Wilhelm—*Vice President of the Board*. Mr. Wilhelm is Executive Vice President and General Manager of Coto de Caza, a development firm, and has served on the Board since 1975.

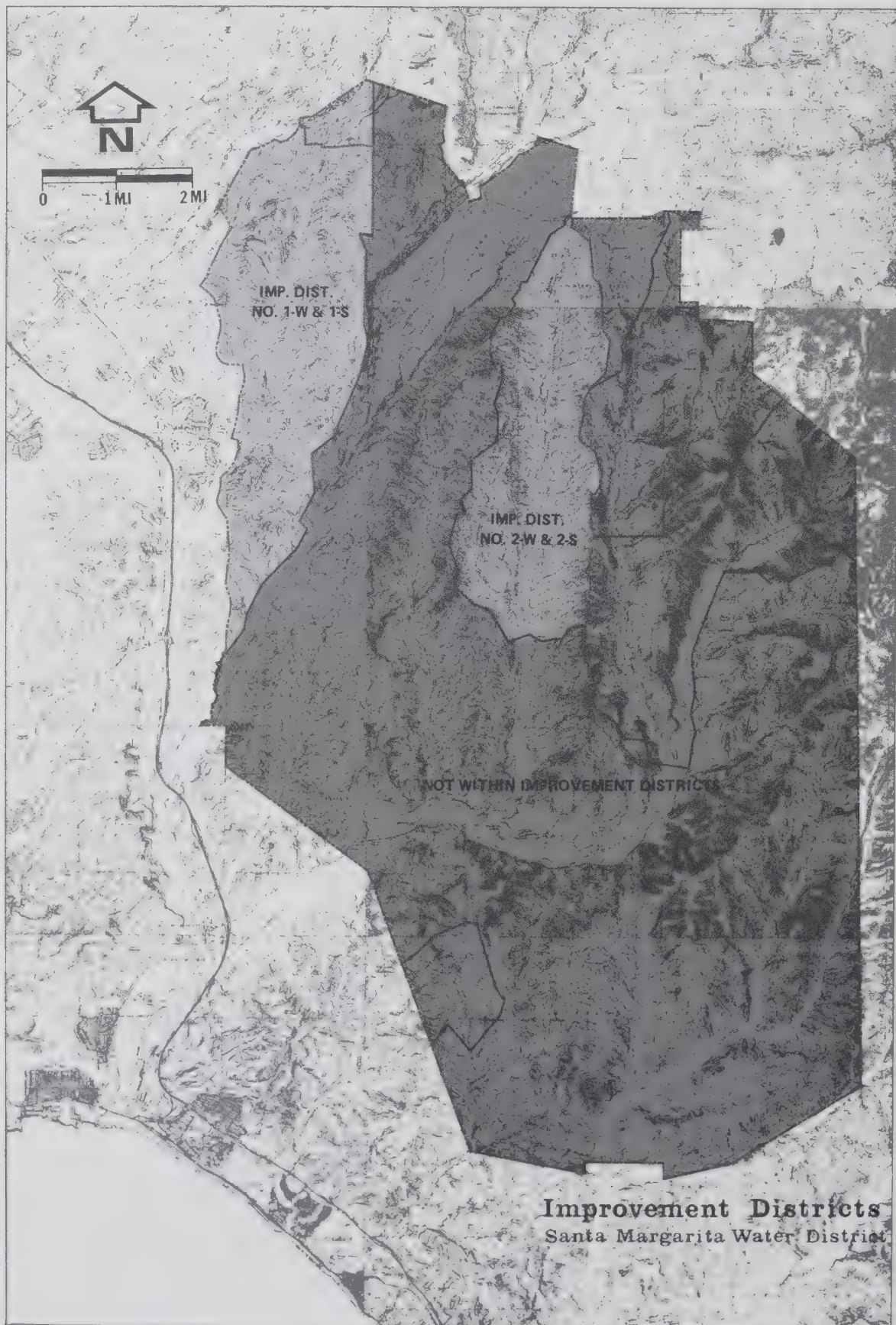
Warren W. Wilson—*Vice President of the Board*. Mr. Wilson is a Trust Officer at Crocker National Bank and has served on the Board since 1964. Crocker National Bank is the Trustee of a trust controlling one-third of Rancho Mission Viejo.

W. W. Knitz—*General Manager*. Mr. Knitz has served as District General Manager since 1975. He holds a Bachelor of Civil Engineering Degree from Marquette University. Prior to joining the District, Mr. Knitz spent over 20 years in consulting civil engineering.

James H. Smith—*Chief Engineer*. Mr. Smith has been with the District since 1973. He holds a Bachelor of Science Degree in engineering from California Polytechnic University and is a registered professional engineer in California.

Michael P. Lord—*Finance Director*. Mr. Lord has been with the District since 1977. He has been directing the fiscal operations for utility, engineering, and construction firms for the past eight years.

Fritz R. Stradling—*Secretary*. Mr. Stradling is a partner in the law firm of Stradling, Yocca, Carlson & Rauth, Newport Beach, California.



Improvement Districts
Santa Margarita Water District

Improvement Districts

The District presently includes four Improvement Districts. All four are governed and operated by the District's Board of Directors and staff and have no separate employees.

Improvement Districts Nos. 1-W and 1-S are coterminous districts established August 21, 1968 by resolution of the Board of Directors of the District. Improvement Districts Nos. 1-W and 1-S were formed to finance water improvements and sewerage improvements, respectively, in the westerly portion of the Santa Margarita Water District known as Mission Viejo.

These improvement districts cover approximately 6,655 acres. Mission Viejo generally parallels Interstate 5, the San Diego Freeway. The improvement districts are bordered on the west by another recently urbanized Mission Viejo area that lies within the Moulton-Niguel Water District.

VTN Orange County, consulting engineers, prepared a revised master plan of works for construction of water and sewer facilities in the improvement dis-

tricts, particularly to serve the Mission Viejo development. This was published in 1972 and it provides for a 14-year construction period.

Another engineering consultant, Robert Bein, William Frost & Associates, of Newport Beach, prepared a water resources master plan for the entire water district. The 1972 Bonds for Improvement District No. 1-W currently offered are to finance water improvements for this development program. The same consultant also prepared a revised plan of works for sewerage and water reclamation facilities for Improvement District No. 1-S.

Prior to 1972 the District was virtually uninhabited. In that year the Mission Viejo Company began construction of residences and related facilities in the Mission Viejo portion of Improvement Districts Nos. 1-W and 1-S, where there are now about 4,737 occupied dwelling units, with an estimated population of 16,579.

The District has commenced proceedings for formation of an Improvement District No. 1A-WS, which would be located entirely within Improvement Districts Nos. 1-W and 1-S. The purpose of the

Construction photograph of the District's two mgd expandable water reclamation plant which will provide irrigation water within the District. One of the shopping centers in Mission Viejo is shown at the upper right.



formation is to authorize bonds in the amount of \$39,000,000 to finance construction of water and sewer facilities within the uninhabited portions of Improvement Districts Nos. 1-W and 1-S.

Improvement Districts Nos. 2-W and 2-S are coterminous districts established August 21, 1968 and January 20, 1975, respectively, by resolutions of the Board of Directors of the District. Improvement Districts Nos. 2-W and 2-S were formed to finance water improvements and sewerage improvements in the north central portion of the Santa Margarita Water District known as Coto de Caza.

The District has also commenced proceedings for the formation of Improvement Districts Nos. 3, 4, 5, 6 and 7. These Improvement Districts would be located entirely outside Improvement Districts Nos. 1-S and 1-W. They would be formed to authorize bonds in the aggregate amount of \$1,360,000,000 to finance construction of water and sewer facilities within areas of the District not within Improvement Districts Nos. 1-S, 1-W, 2-S and 2-W. The overall District would then be entirely covered by improvement districts.

Water Supply

The Santa Margarita Water District is a constituent agency of the Municipal Water District of Orange County (MWDOC). MWDOC acts as a wholesale importer of water from the Metropolitan Water District of Southern California (MWD); therefore, Santa Margarita Water District is entitled to receive water from available sources of MWD. The Santa Margarita Water District owns 14 cubic feet per second capacity in East Orange County Feeder No. 2, and the Audfenkamp Main, which will meet the increasing needs of Improvement District No. 1-W. The District has also contracted to participate in the importation projects sponsored by the MWDOC to import at least 325 cubic feet per second (cfs) of treated water and to expand the existing untreated Santiago Aqueduct facilities. The Santa Margarita Water District's portion is planned at 50 cfs of treated water capacity and 25 cfs of untreated water capacity.

Sewage Treatment and Disposal

Santa Margarita Water District is a member of a joint powers agency known as the South East Regional Reclamation Authority (SERRA). SERRA proposes to own and operate a regional sewage treatment plant near the coastal communities of

Dana Point and Capistrano Beach. The plant is currently operated by the City of San Juan Capistrano. At the present time Santa Margarita Water District owns one million gallons per day (mgd) capacity in this plant. The plant is connected to Improvement District No. 1-S by the Oso-Trabuco Interceptor, in which the District has 9.4 mgd capacity rights. The interceptor is maintained and operated by the Moulton-Niguel Water District for both districts. Costs are shared by each district based on wastewater flow through the system. The SERRA 30.6 mgd ocean outfall has been approved for construction by the State Water Resources Control Board and has received State and Federal grants which will fund 87.5% of total construction costs. The project is under construction and is scheduled for completion in January 1979.

However, the District has studied alternative methods of providing for its ultimate sewage treatment and disposal requirements and proposes to participate in both the expansion of the SERRA treatment plant and outfall construction and the District's construction of a two mgd expandable water reclamation plant, which will provide irrigation water within the District. This facility is currently nearing completion.

Water and Sewer Connections

The following tabulation presents a summary of water and sewer connections and average water demands and sewage flow since 1973/74, along with District projections through 1979/80.

SANTA MARGARITA WATER DISTRICT IMPROVEMENT DISTRICTS 1-S and 1-W

Water and Sewer Demands

Year Ending June 30	Occupied Connections	Average Daily Water Demand (cu. ft./sec.)	Sewage Flow (million gal./day)
1974	1,184	1.36	0.35
1975	1,753	2.56	0.61
1976	2,847	4.41	0.87
1977	4,037	5.40	1.23
1978	5,500	8.90	1.61
1979	7,300	11.10	2.03
1980	9,100	13.29	2.62

Source: 1974-77 District Annual Reports; 1978-80 District projections.

Operation and Maintenance

The District performs all operation and maintenance of water and sewer facilities within the District. The District also provides administrative services, including customer relations, billing and collection services. The District currently has 26 employees.

Water and Sewer Rates and Charges

The District is presently paying Waterworks District No. 4 \$84 per acre foot of Colorado River and blended water. The District pays its share of sewerage system operation and maintenance based on actual flows. A revenue program is now being developed for the SERRA facilities in accordance with Federal and State guidelines.

The tabulation to the right shows the charges to District residents for water and sewer service, including those in Improvement Districts Nos. 1-S and 1-W.

SANTA MARGARITA WATER DISTRICT

Bi-Monthly Water Rates and Sewer Charges*

WATER

Residential & Commercial	\$.59 per 100 cubic feet with no minimum standby charge.
Construction	\$.42 per 100 cubic feet, plus \$100.00 per month per meter fixed minimum.
Irrigation	\$.36 per 100 cubic feet, plus \$40.00 per 60-day per meter fixed minimum.

SEWER

\$.30 per 100 cubic feet of water used, with no minimum standby charge. The total amount to be charged not to exceed \$11.00 bi-monthly.

*Effective July 1, 1977.

THE PROJECTS

Financing Policy

The District finances the design and construction of all major water and sewerage facilities by issuance of general obligation bonds. Present District financing policy is to maintain a stable system of user charges and property tax rates. Any additional revenues necessary to finance District operations (including bond service requirements) are derived from connection fees from developers and acreage assessments on undeveloped land.

Reimbursement Agreements

There are three reimbursement agreements between the District and Mission Viejo Company, as summarized in the following paragraphs.

The first two Reimbursement Agreements dated July 26, 1977 and October 21, 1977 each provide that the Company will advance an amount not to exceed \$65,300 and \$111,300, respectively, to construct certain water facilities and that the District will reimburse the Company from proceeds of the 1972 Bonds, subject to State Treasurer approval.

The third, the Wastewater Reclamation Plant Reimbursement Agreement dated September 17, 1977 as amended, provides that the Company shall advance \$8,895,692 toward the expansion of the District's wastewater treatment plant, storage reservoir and distribution system, and that the District will reimburse the Company for funds advanced for said purpose plus interest from proceeds of sale of future sewer bond issues, subject to State Treasurer approval.

There is another Reimbursement Agreement, between the District and Coto de Caza Company. This agreement, dated August 15, 1977, provides that that Company will advance \$10,200 to fund the development of plans of works for Improvement Districts 2-W and 2-S and the District will reimburse this amount from proceeds of the first bond sales for these improvement districts, subject to State Treasurer approval.

The Water Projects

The 1972 Bonds currently offered for sale will be used to finance construction of about 9.24 miles of water mains; three pump stations; a four-million gallon reservoir; and repayment of loans by Mission Viejo Company to finance certain water system improvements already constructed.

All projects are to be constructed within eighteen months with construction commencing in Summer 1978. Table 2 below presents a summary of estimated project and financing costs to be financed by the 1972 Bonds, based on estimates prepared by the District's consulting engineers. All estimates include anticipated inflation factors to the dates of construction.

Table 2
SANTA MARGARITA WATER DISTRICT
IMPROVEMENT DISTRICT NO. 1-W
Estimated Project and Financing Costs

Project Costs^①:

Within ID 1-W:	
Pipelines	\$1,164,400
Reservoir	1,050,000
Pump station	215,300
Engineering and administration ...	364,500
Contingencies	243,000
Subtotal	\$3,037,200
Water Importation:	
Pipeline/pump stations	\$1,671,000
Engineering and administration ...	250,600
Contingencies	167,100
Subtotal	\$2,088,700
Reimburse developer loans	176,600
Less interest earnings	(76,500)
Total Project Costs	\$5,226,000

Financing Costs:

Interest during construction (18 months @ 7%)	\$ 682,500
Reserve fund (maximum annual interest)	451,500
Allowance for discount (1%)	65,000
Costs of bond issuance	75,000
Total Financing Costs	\$1,274,000
Total Bond Issue	\$6,500,000

^① Estimates of Robert Bein, William Frost & Associates, District's consulting engineers.

Interest on the Bonds for the first eighteen months' will be funded from Bond proceeds, as will a bond reserve fund equal to maximum annual interest on the Bonds (calculated excluding the first eighteen months' interest which are to be financed from Bond proceeds).

The Sewerage Projects

The 1968 Sewer Bonds, Series D, currently offered for sale will be used to finance construction of trunk sewers and to pay the District's share of the SERRA Ocean Outfall and Region Treatment Center Expansion; and repayment of loans by Mission Viejo Company to finance certain sewer system improvements already constructed.

The projects are to be constructed within twenty-four months with construction commencing in Summer 1978. Table 3 to the right presents a summary of estimated project and financing costs to be financed by the Series D Bonds, based on estimates prepared by the District's consulting engineers. All estimates include anticipated inflation factors to the dates of construction.

Interest on the Bonds for the first two years will be funded from bond proceeds, as will a bond reserve fund equal to maximum annual interest on the Bonds (calculated excluding the first two years' interest which are to be financed from Bond proceeds).

Environmental Considerations

The water and sewerage projects described above are subject to the provisions of the California Environmental Quality Act (Public Resources Code, Section 21000 et seq.)

Environmental impact assessments of the proposed water system and sewerage system improvements were made and negative declarations adopted by the Board of Directors of the District on March 20, 1978. Notices of Determination were filed with the Orange County Clerk on March 21, 1978.

An environmental impact report concerning the water importation projects was adopted by the Board of Directors of Municipal Water District of Orange County on November 14, 1977. A Notice of Determination was filed with the Orange County Clerk on November 15, 1977. The Santa Margarita Water District Board of Directors adopted the environmental impact report on February 5, 1978.

Table 3

SANTA MARGARITA WATER DISTRICT IMPROVEMENT DISTRICT NO. 1-S Estimated Project and Financing Costs

Project Costs^①:

Trunk sewers	\$ 222,000
Contingencies	22,200
Engineering and administration	33,300
Subtotal	\$ 277,500
Sewage Treatment Facilities:	
SERRA ocean outfall	200,000
SERRA treatment plant	4,533,000
Contingencies	64,500
Subtotal	\$4,797,500
Less interest earnings	(73,000)
Total Project Costs	\$5,002,000

Financing Costs:

Interest during construction (24 months @ 7%)	910,000
Reserve fund (maximum annual interest)	448,000
Allowance for discount (1%)	65,000
Costs of bond issuance	75,000
Total Financing Costs	\$1,498,000
Total Bond Issue	\$6,500,000

^① Estimates of Robert Bein, William Frost & Associates, District's consulting engineers.

MISSION VIEJO

Mission Viejo Company

The Mission Viejo Company was formed in 1963 to develop land in the Rancho Mission Viejo, the second largest landholding in Orange County. The ranch, also known as the O'Neill Ranch, covered 53,000 acres of rolling countryside in the southern portion of the county. Mission Viejo Company conceived a master plan for controlled community development of about 10,000 acres of the ranch.

Construction of homes, commercial buildings, recreation and commercial facilities, schools, streets, and water and sewer lines began in 1966. Development in this first phase was concentrated outside the Santa Margarita Water District, in the Moulton-Niguel Water District. The Mission Viejo Company reports that their property in Moulton-Niguel Water District is substantially developed. Development in the Santa Margarita Water District portion of Mission Viejo began in 1971 and continues to be the area where most new development is concentrated. The company estimates that as of January 31, 1978, 44,611 persons resided in Mission Viejo, of which 16,579 resided in Improvement District No. 1-W of the Santa Margarita Water District.

Mission Viejo Company was purchased in 1972 by Philip Morris Incorporated, pursuant to an option obtained in 1970. Principal officers of Mission Viejo Company are as follows:

John E. Cookman, *Chairman of the Board.*

Philip J. Reilly, *President.*

James G. Gilleran, *Executive Vice President.*

James G. Toepfer, *Executive Vice President.*

G. H. Lodder, *Senior Vice President.*

In September 1976, Philip Morris Incorporated purchased the 6,700-acre Moulton Ranch. This property's eastern boundary is approximately one mile west of Mission Viejo and it extends westerly to Laguna Beach. While outside the Santa Margarita Water District, development of this property in the future will add to the continued rapid growth of southern Orange County.

Current Development

Capital investment through January 1978 in the Santa Margarita Water District by the Mission Viejo Company is \$119.2 million, which represents an increase of \$73.7 million since 1974. Mission Viejo Company's development plans for the immediate future in Santa Margarita Water District include continuation of housing programs that were successful in the first phase, as well as schools, shopping and other supportive community services.

Lake Mission Viejo, in the northern portion of Improvement Districts Nos. 1-S and 1-W, comprises 125 acres, where a totally planned community environment of about 5,000 dwelling units will be built in the lake influence area. The filling of the lake was delayed during the drought conditions in Northern California, but construction and sales of housing continue as scheduled. Lake filling resumed in February 1978 and complete filling is estimated to take place in May 1978. Plans also call for services similar to those found in the other Mission Viejo neighborhoods, such as schools, parks, recreational and commercial facilities.

Mission Viejo Industrial Center.



The tabulations on this page summarize current investment by the Mission Viejo Company in Improvement Districts Nos. 1-S and 1-W, and projections of upcoming development.

**CURRENT MISSION VIEJO COMPANY
INVESTMENT WITHIN
SANTA MARGARITA WATER DISTRICT
IMPROVEMENT DISTRICTS NOS. 1-S and 1-W**

	Amount Invested as of January 31, 1978
Residential work in process	\$ 71,651,479
Model compounds	2,483,474
Lake Mission Viejo and improvements	9,392,279
Undeveloped land	21,642,445
Commercial land	1,260,498
Recreation facilities	5,456,036
Public improvements	7,298,356
Total Investment	<u>\$119,184,567</u>

Source: Mission Viejo Company.

**MISSION VIEJO COMPANY
PROJECTED DEVELOPMENT IN IMPROVE-
MENT DISTRICTS NOS. 1-S and 1-W OF
SANTA MARGARITA WATER DISTRICT**

	1978	1979	1980	1981	1982
Single Family					
Units	1,500	1,589	1,500	1,400	1,400
Townhouses	—	220	300	400	400
Total Units	1,500	1,809	1,800	1,800	1,800

Commercial (1978-82)	Area
Lake Commercial Village	50,000-80,000 sq. ft.
Trabuco and Los Alisos	
Intersection	30,000-35,000 sq. ft.
Alicia and O'Neill Intersection	60,000-80,000 sq. ft.
Oso and Marguerite Parkways	
Intersection	60,000-80,000 sq. ft.
Los Alisos and Vista del Lago	
Intersection	60,000-80,000 sq. ft.

Source: Mission Viejo Company, January 1978.

**MISSION VIEJO
COMPLETED DEVELOPMENT, January 31, 1978**

Moulton-Niguel Water District	Santa Margarita Water District I.D. Nos. 1-W and 1-S
8,009 Occupied homes①	4,737 Occupied homes①
Schools	Casta del Sol Recreation Center
4 preschools	Casta del Sol Golf Course
8 elementary	3 elementary schools
1 intermediate	Lake Mission Viejo
Capistrano Valley High School	Marguerite Recreation Center
Mission Viejo High School	Mission Viejo Elks Club
Saddleback Community College	Orange County fire station
Mission Viejo Library	Three convenience shopping centers
Mission Community Hospital	Felipe Recreation Center
La Paz Medical/Dental Professional Center	
Sierra Recreation Center	
Montanoso Recreation Center	
Mission Viejo Golf Course	
Mission Viejo Golf Clubhouse	
Mission Viejo Inn and Restaurant	
Mission Viejo Post Office	
La Paz Plaza	
Mission Viejo Fire Station	
Mission Viejo Industrial Park	
Five convenience shopping centers	
Village Shopping Center	
Mission Viejo Equestrian Center	

① Occupied dwelling units; includes 144 apartment units.

Source: Mission Viejo Company.

As of January 31, 1978, the Company had about 3,100 lots which had received all necessary approvals to begin construction immediately. In addition, there were a total of 765 new dwelling units in various stages of construction being readied for occupancy. Thus, a total of 3,865 homes either were approved for construction or were being readied for occupancy within the District. Due to the greatly increased demand for new housing in the entire southern Orange County region, the Mission Viejo Company projects complete build-out of Mission Viejo to be reached in 1986-87, rather than 1990 as originally projected.

In addition to the development located within the District, other units of the overall Mission Viejo community are located in the Moulton-Niguel Water District.

Home Values

The tabulation opposite presents current basic price ranges for various housing units within Mission Viejo. Recently, demand for new homes has exceeded availability, with the result that the company reports virtually no completed homes to be in inventory.

Based on a special sales survey conducted by Mission Viejo Company in June 1976, which compared the selling prices of 51 homes sold between Decem-

ber 1975 and May 1976 with their original selling prices (mostly in 1973 and 1974), it reported that the average increase per home was \$19,586, or 49.7% over the average original selling price of \$39,392.

MISSION VIEJO COMPANY

NEW HOME PRICES

Unit	Basic Price Range①	
Single Family Homes:		
Casta del Sol	\$ 69,250-	81,570
Castille	85,000-	108,500
Cordova	65,080-	85,865
Madrid del Lago	103,585-	140,500
Montiel	73,395-	104,345

① Based on most recent sales in the particular unit.

Source: Mission Viejo Company, January 1978.

Other Developments

In addition to its principal residential development located within the Santa Margarita Water District, the Mission Viejo Company has a similar project in Denver, Colorado.

Photograph of recent construction on the shore of Lake Mission Viejo. In the background are Madrid del Lago homes.



Company Financial Data

Being a subsidiary of Philip Morris Incorporated, separate financial statements are not published for Mission Viejo Company. However, the tabulation to the right presents a history of operating revenues and income for the past six years. Tables 4 and 5 below and on page 21 present recent earnings statements and balance sheets for the parent company, which include all subsidiaries.

MISSION VIEJO COMPANY—Income

Calendar Year	Operating Revenues	Operating Income
1972	\$ 60,824,000	\$ 5,714,000
1973	67,976,000	4,122,000
1974	62,676,000	4,772,000
1975	70,635,000	5,875,000
1976	94,762,000	16,333,000
1977	148,017,000	33,225,000

Source: Philip Morris, Inc. Annual Reports 1975-1977.

Table 4
Philip Morris, Inc.①
Statement of Earnings②

	1975	1976	1977
Operating revenues	\$3,642,414,000	\$4,293,782,000	\$5,201,977,000
Cost of sales:			
Cost of products sold	\$1,656,839,000	\$1,966,871,000	\$2,401,680,000
Federal and foreign excise taxes on products sold	1,078,403,000	1,159,286,000	1,352,487,000
Gross profit	\$ 907,172,000	\$1,167,625,000	\$1,447,810,000
Marketing, administration and research costs	437,196,000	547,287,000	676,772,000
	\$ 469,976,000	\$ 620,338,000	\$ 771,038,000
Equity in net earnings of unconsolidated foreign subsidiaries and affiliates	22,868,000	14,201,000	11,694,000
Operating income of operating companies	\$ 492,844,000	\$ 634,539,000	\$ 782,732,000
Corporate expense	\$ 30,270,000	\$ 35,229,000	\$ 38,523,000
Interest expense (excluding interest capitalized of \$8,024,000 in 1975, \$9,427,000 in 1974 and \$8,872,000 in 1973)	99,045,000	102,834,000	101,584,000
Net currency translation costs	—	15,520,000	11,633,000
Other deductions (income), net	2,719,000	9,028,000	5,476,000
Earnings before income taxes	\$ 360,810,000	\$ 471,928,000	\$ 625,516,000
Provision for federal and other income taxes:			
Current	\$ 136,302,000	\$ 185,947,000	\$ 262,575,000
Deferred	12,870,000	20,306,000	28,015,000
	\$ 149,172,000	\$ 206,253,000	\$ 290,590,000
Net earnings	\$ 211,638,000	\$ 265,675,000	\$ 334,926,000
Earnings per common share:			
Primary	\$3.62	\$4.47	\$5.60
Fully diluted	\$3.62	\$4.47	\$5.60

① For parent corporation and consolidated subsidiaries.

② For years ended December 31.

Source: Philip Morris, Inc. Annual Reports for 1975-77.



Photos of recent development in Mission Viejo: ① New dwellings under construction, March 1978; ② Madrid del Lago home; ③ La Mancha home; ④ Experimental Cordova home designed to minimize energy requirements using solar panels on roof, special insulation and a computer controlled environment.

Table 5
Philip Morris, Inc.^①
Balance Sheets^②

	1976	1977
ASSETS		
Cash and cash equivalents	\$ 64,353,000	\$ 72,231,000
Receivables	267,943,000	316,723,000
Inventories:		
Leaf tobacco	1,089,301,000	1,271,235,000
Other raw materials	125,620,000	142,231,000
Work in process and finished goods	379,446,000	314,519,000
Housing programs under construction	63,137,000	89,576,000
	<u>\$1,657,504,000</u>	<u>\$1,817,561,000</u>
Prepaid expenses	15,945,000	14,505,000
Total current assets	<u>\$2,005,745,000</u>	<u>\$2,221,020,000</u>
Investments in and advances to unconsolidated foreign subsidiaries and affiliates	220,147,000	229,508,000
Land and offtract improvements	58,766,000	69,576,000
Property, plant and equipment, at cost:		
Land and land improvements	53,230,000	55,246,000
Buildings and building equipment	391,341,000	398,479,000
Machinery and equipment	755,310,000	931,042,000
Construction in progress	124,042,000	210,143,000
	<u>\$1,323,923,000</u>	<u>\$1,594,910,000</u>
Less, Accumulated depreciation	(330,044,000)	(392,478,000)
Net, property, plant and equipment	<u>\$ 993,879,000</u>	<u>\$1,202,432,000</u>
Brands, trademarks, patents and goodwill	211,570,000	222,492,000
Long-term receivables	66,463,000	64,762,000
Other assets	25,639,000	38,249,000
Total Assets	<u><u>\$3,582,209,000</u></u>	<u><u>\$4,048,039,000</u></u>
LIABILITIES		
Notes payable	\$ 260,131,000	\$ 121,139,000
Current portion of long-term debt	17,729,000	15,740,000
Accounts payable and accrued liabilities	402,775,000	503,767,000
Federal and other income taxes	103,527,000	139,766,000
Dividends payable	19,359,000	24,741,000
Total current liabilities	<u>\$ 803,521,000</u>	<u>\$ 805,153,000</u>
Long-term debt	1,247,778,000	1,426,619,000
Deferred income taxes	77,714,000	104,429,000
Other liabilities	23,214,000	21,772,000
Total liabilities	<u>\$2,152,227,000</u>	<u>\$2,357,973,000</u>
STOCKHOLDERS' EQUITY		
Cumulative preferred stock, par value \$100 per share	\$ 8,812,000	\$ 8,262,000
Common stock, par value \$1 per share	59,490,000	59,922,000
Additional paid-in capital	294,225,000	300,538,000
Earnings reinvested in the business	1,071,488,000	1,325,149,000
	<u>\$1,434,015,000</u>	<u>\$1,693,871,000</u>
Less, Cost of treasury stock	(4,033,000)	(3,805,000)
Total Stockholders' Equity	<u>\$1,429,982,000</u>	<u>\$1,690,066,000</u>
Total Liabilities and Stockholders' Equity	<u><u>\$3,582,209,000</u></u>	<u><u>\$4,048,039,000</u></u>

① For parent corporation and consolidated subsidiaries.

② For years ended December 31.

Source: Philip Morris, Annual Report 1977.

FINANCIAL DATA

Assessed Valuations

The Santa Margarita Water District uses the facilities of Orange County for the assessment and collection of taxes for District purposes. As a California Water District, the District taxes only land within its boundaries that is subject to taxation. Improvements and personal property are not taxable by the District. Ad valorem taxes are levied against taxable land located within Improvement Districts Nos. 1-S and 1-W on the same basis. District taxes are collected at the same time and on the same tax rolls as are city, county and school district taxes. The California State Board of Equalization reports the 1977/78 Orange County valuations average 25.1 percent of full value except for public utility property, which is reported to be assessed at 25 percent of full cash value by the state.

The tabulation below presents the 1977/78 assessed valuations for the entire district and Improvement Districts Nos. 1-S and 1-W.

SANTA MARGARITA WATER DISTRICT and IMPROVEMENT DISTRICTS NOS. 1-S and 1-W 1977/78 Assessed Valuation (Land Only)

Assessment Roll	I.D. Nos. 1-S & 1-W	Entire District
<hr/>		
Local Secured	\$31,067,470	\$38,861,110
Utility	2,360	6,030
Unsecured	—	761,380
Total	\$31,069,830	\$39,628,520

Source: Orange County Auditor-Controller.

The tabulations on page 23 show growth in assessed valuation (land only) since 1971/72 and the 1977/78 assessed valuation of all property (land, improvements and personal property) located within Improvement Districts Nos. 1-S and 1-W. These valuations are before deduction of two types of exemptions (\$1,750 of the assessed valuation of an owner-occupied dwelling and 50 percent of the assessed valuations of business inventories) which do not result in any loss of revenues to local taxing agencies since the State of California reimburses an amount equal to the taxes which would have been payable on such exempt valuations.

SANTA MARGARITA WATER DISTRICT and IMPROVEMENT DISTRICTS NOS. 1-S and 1-W

Growth in Assessed Valuation (Land Only)

Fiscal Year	I.D. Nos. 1-S & 1-W	Entire District
1971/72	\$ 1,971,850	\$ 6,641,620
1972/73	3,332,330	8,780,570
1973/74	5,005,790	10,250,810
1974/75	6,829,030	12,925,100
1975/76	10,892,690	17,988,570
1976/77	17,472,990	24,645,840
1977/78	31,069,830	39,628,520

Source: Orange County Auditor-Controller.

SANTA MARGARITA WATER DISTRICT IMPROVEMENT DISTRICTS NOS. 1-S and 1-W

1977/78 Assessed Valuations (All Property)

Roll	Net Assessed Valuation	State-reimbursed Exemptions	Assessed Valuation for Revenue Purposes
Secured	\$57,358,035	\$4,686,485	\$62,044,520
Utility	1,114,240	—	1,114,240
Unsecured .	564,580	97,280	661,860
Total ..	\$59,036,855	\$4,783,765	\$63,820,620

Source: Orange County Auditor-Controller.

Appraised Value

Land in Improvement Districts Nos. 1-W and 1-S, Mission Viejo, has been appraised in connection with each series of bonds sold by the improvement districts. The tabulation at the top of the next column shows appraised fair market value of land at the time of each sale. A letter from Cedric A. White, Jr., M.A.I./Philip S. Jackson, M.A.I., summarizing the details of the latest appraisal, is included as an appendix to this official statement.

Tax Rates

The tax rates for Improvement Districts Nos. 1-S and 1-W have remained constant at \$1.00 and \$2.00 per \$100 of assessed valuation on land only, respectively, since 1972/73. These rates are the maximum allowable under California statutory tax rate limita-

tions, other than to meet debt service on voter-approved general obligation bonds.

SANTA MARGARITA WATER DISTRICT IMPROVEMENT DISTRICTS NOS. 1-S and 1-W

History of Fair Market Value of Raw Acreage and Land Improvements*

Valuation Year	Fair Market Value	Appraisal Consultant
1968 . \$ 11,500,000		George Hamilton Jones, M.A.I.
1970 . 14,650,000		George Hamilton Jones, M.A.I.
1972 . 24,700,000		George Hamilton Jones, M.A.I.
1974 . 60,000,000		Cedric A. White, Jr., M.A.I.
1976 . 146,000,000		Philip S. Jackson, M.A.I.
1978 . 258,000,000		Cedric A. White, Jr., M.A.I./ Philip S. Jackson M.A.I.

*Land improvements consist only of site improvement costs.

However, as noted previously, the District Board of Directors have adopted a revenue policy whereby all sewerage and water system expenditures, including bond service, will be met from water sales and sewer service charges; property taxes not to exceed a rate of \$1.00 and \$2.00 per \$100 assessed valuation of land only, respectively; standby charges; connection fees; and acreage assessments on undeveloped lands. Therefore, under this policy, the current tax rates for Improvement Districts 1-S and 1-W would not be raised to meet bond service on the bonds presently offered.

A total of 11 tax rate areas were established within Improvement Districts Nos. 1-S and 1-W for the 1977/78 fiscal year. The largest, tax rate area 82-065, has a 1977/78 assessed valuation of land only of \$25,051,230, or about 81 percent of the Improvement Districts' total. The tabulation on the next page presents the total tax rates applying to this tax rate area in 1977/78.

It is noted the tax rates shown in the tabulation are levied on all property, on land and improvements only, and on land only, depending on the nature of the taxing entity. This results in a homeowner's annual tax bill being somewhat less than the total tax rate would indicate. For example, assuming an \$80,000 market value home (\$25,000 land and \$55,000 improvements and personal property) and a

\$1,750 homeowners' exemption, the taxable assessed value of the home would be \$18,250. Applied to the total tax rate in tax rate area 82-065 of \$11.8357 per \$100 assessed valuation, the tax bill would be \$2,160. However, since \$3.50 of the total rate is levied on land only, the actual tax bill for the \$80,000 home would be \$1,740. This results in an effective tax rate of \$9.5342 for the homeowner.

IMPROVEMENT DISTRICTS NOS. 1-S and 1-W SANTA MARGARITA WATER DISTRICT

1977/78 Tax Rates/\$100 A.V. Tax Rate Area 82-065

	Tax Rate Area 82-065
Orange County	\$ 1.3300
County Library .....	.1546
Schools	5.2216
Fire Protection District .....	.3898
Flood Control District .....	.1888
County Service Area No. 9 .....	.4629
Metropolitan Water District .....	.1900
Other special districts .....	.2175
Subtotal①	\$ 8.1552
Lighting Maintenance District .....	.1805
Subtotal② .....	.1805
Santa Margarita Water District .....	.5000
SMWD-I.D. 1-S	1.0000
SMWD-I.D. 1-W	2.0000
Subtotal③	\$ 3.5000
Total	\$11.8357

① Levied on all property.

② Levied on land and improvements only.

③ Levied on land only.

Source: Orange County Auditor-Controller.

Tax Levies and Delinquencies

Taxes on the local secured and utility rolls are payable in two installments on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively.

The tabulations in the next column present the amounts of secured taxes levied for Improvement Districts Nos. 1-S and 1-W for the period 1971/72-1977/78, with the amount and percent of current taxes delinquent on June 30 of each year.

IMPROVEMENT DISTRICT NO. 1-S

SANTA MARGARITA WATER DISTRICT

Secured Tax Levies and Delinquencies

Fiscal Year	Secured Levy	Amount Delinquent June 30	Percent Delinquent June 30
1971/72	\$202,268	\$ 0	—%
1972/73	33,323	0	—
1973/74	49,576	74	.02
1974/75	66,924	293	.44
1975/76	108,052	649	.60
1976/77	174,274	1,578	.91
1977/78	310,245	N.A.	N.A.

Source: Orange County Auditor-Controller.

IMPROVEMENT DISTRICT NO. 1-W

SANTA MARGARITA WATER DISTRICT

Secured Tax Levies and Delinquencies

Fiscal Year	Secured Levy	Amount Delinquent June 30	Percent Delinquent June 30
1971/72	\$ 0	\$ 0	—%
1972/73	66,647	0	—
1973/74	99,155	147	.02
1974/75	133,848	586	.44
1975/76	216,104	1,298	.60
1976/77	348,548	3,156	.91
1977/78	620,490	N.A.	N.A.

Source: Orange County Auditor-Controller.

Major Taxpayers

Orange County does not compile a list of the principal ad valorem taxpayers in each particular taxing entity within the county.

However, as the owner of the most land, the principal ad valorem taxpayer in the improvement district is Mission Viejo Company. County records indicate this firm paid a total of \$172,655 in 1976/77, or almost 50 percent of the total secured levy for the improvement district. It is noted that these are taxes levied against and paid on the assessed valuation of land only.

Retirement System

Employees of the District participate in a defined-benefit pension plan which is administered in accordance with a contract between the District and the State of California Public Employees' Retirement

System (PERS). PERS is a statewide system operated pursuant to Title 2, Division 5, Part 3 of the Government Code. The most recently made actuarial valuation of the system, as of June 30, 1975, was made by the State's Actuarial Division. The report identified an "unfunded supplemental liability" of \$1,271,956,710, as of June 30, 1975, for the local miscellaneous employees group, which would include employees of the District. The "unfunded supplemental liability" for all other member groups (State Miscellaneous, State Safety, Highway Patrol, Local Safety and County Schools), as of June 30, 1975, was \$5,822,022,351. The report includes a discussion of new actuarial assumptions to provide for amortization of unfunded liabilities in the various member groups, within PERS. Additional information is available from State of California Public Employees' Retirement System, 1416 Ninth Street, Sacramento, California 95814.

The amount of the respective unfunded liabilities will vary from time to time depending upon the actuarial assumptions utilized, rates of return and salary scales. The present System policy is designed to satisfy the unfunded obligation by the year 2000.

According to the District's financial report for fiscal 1976/77, the total pension expense for the District's employees for that year was \$22,907. Pension costs are funded by monthly contributions to PERS. The excess, if any, of the actuarially computed value of vested benefits over the amounts available in the pension fund was not determined as of June 30, 1977.

Insurance in Effect

As of July 1, 1977, the District had in effect the following insurance coverage: Bodily injury, property damage and auto fleet—\$50,000; Honesty blanket bond—\$500,000; Comprehensive on buildings, equipment and other items ranging from \$21,000 to \$2,285,000, depending on item insured; an umbrella excess liability coverage of \$10,000,000 for each occurrence; and a \$5,000,000 excess liability policy over and above the base \$10,000,000 coverage.

Income, Expenses and Balance Sheet

Tables 6 and 7 on pages 27 and 28 present five-year summaries of income and expenses for Improvement Districts Nos. 1-S or 1-W and the entire District since 1972/73. The figures are extracted from the District's annual audit reports. The District has had independent outside audits of its financial affairs since its founding in 1964.

The District uses a modified accrual enterprise method of accounting, as required by the California State Controller. In general, income is recorded when earned and expenses are recorded upon incurrence of liability.

Table 8 on page 29 presents June 30, 1977 balance sheets for the improvement districts and the entire District, including fund balances, as reported in the District's 1976/77 audit report.

Direct and Overlapping Bonded Debt

As of the sale date of the Bonds currently offered, Improvement Districts Nos. 1-S and 1-W will have a total of \$46,565,000 outstanding general obligation bonds. These bonds have been and will be used to finance sewerage and water system improvements within the two improvement districts. There are no outstanding revenue bonds. The tabulation on page 26 summarizes the various issues outstanding. Table 9 on page 30 presents the two improvement districts' direct and estimated overlapping bonded debt.

Other Debt Obligations

In addition to outstanding general obligation bonds, the District reports a number of other obligations, as outlined in the following paragraphs.

The first of these are two notes payable in Improvement District 1-W for water capacity rights. One is payable to the Municipal Water District of Orange County for capacity rights in the East Orange County Feeder No. 2. Of the original \$1,134,514, \$378,171 is outstanding. The other note is also payable to the Municipal Water District of Orange County for an option to buy capacity rights in the Audfenkamp Transmission Main. Of the original \$341,065, \$113,688 is outstanding. Both of these notes will be paid, plus accrued interest, when they become due in the latter part of 1978 from proceeds of 1969 Water Bonds, Series D, sold in April 1977.

The District leases its general office and field office. The total rent due on the two leases in both 1977/78 and 1978/79 is \$21,400.

The District also has been advanced \$328,040 from Mission Viejo Company and a \$353,960 certificate of deposit from Rancho Mission Viejo. These funds were used to oversize the Audfenkamp connection transmission main and were paid to the District to purchase capacity rights in the main in the amount allowed by the oversizing. The District will repay this \$682,000 at such time that it would need the capacity afforded by the oversized line for future development within the District. This is anticipated at the present time to occur in 1981.

IMPROVEMENT DISTRICTS NOS. 1-S and 1-W
SANTA MARGARITA WATER DISTRICT
Outstanding General Obligation Bonds

Original Issue	Date	Final Maturity	Outstanding May 15, 1978
I.D. 1-S (Sewer):			
\$ 1,900,000	10/ 1/68	1997	\$ 1,725,000
1,100,000	2/15/72	1997	965,000
13,700,000	3/ 1/77	2003	13,700,000
6,500,000*	5/15/78	2004	6,500,000*
Total, I.D. 1-S			\$22,890,000
I.D. 1-W (Water):			
\$1,600,000	10/ 1/68	1997	\$ 1,450,000
3,100,000	12/ 1/72	1996	2,700,000
7,000,000	3/ 1/75	2000	6,775,000
6,250,000	3/ 1/77	2003	6,250,000
6,500,000*	5/15/78	2004	6,500,000*
Total, I.D. 1-W			\$23,675,000
Grand Total, I.D.s 1-S & 1-W			\$46,565,000

*To be sold May 15, 1978.

Table 6

IMPROVEMENT DISTRICT NO. 1-W
SANTA MARGARITA WATER DISTRICT
Income and Expenses

	1972/73 ^①	1973/74 ^①	1974/75 ^①	1975/76 ^①	1976/77 ^①
OPERATING INCOME:					
Water sales	\$ 21,670	\$ 108,862	\$ 282,845	\$562,486	\$ 834,585
Meters	—	80,699	42,656	85,884	98,227
Other	10,165	40,338	24,531	—	18,145
Total operating income	\$ 31,835	\$ 229,899	\$ 350,032	\$648,370	\$ 950,957
OPERATING EXPENSES:					
Water purchases	\$ 15,595	\$ 70,808	\$ 117,898	\$220,452	\$ 440,233
Capacity rights	44,531	33,804	33,804	33,804	33,804
Meter purchases	—	65,555	27,131	66,893	104,741
Salaries	—	11,466	22,970	29,129	89,924
Power	5,809	11,569	55,226	95,488	136,522
Maintenance and operation	3,278	15,067	24,730	31,237	71,653
General and administrative	15,750	47,548	64,577	117,412	284,463
Other operations	699	2,360	5,661	—	—
Depreciation	39,851	74,172	94,153	116,233	153,443
Total operating expenses	\$125,513	\$ 332,349	\$ 446,150	\$710,648	\$1,314,783
Net operating income (loss)	\$(93,678)	\$(102,450)	\$ (96,118)	\$(62,278)	\$(363,826)
NON-OPERATING INCOME:					
Property taxes ^②	\$ 66,647	\$ 280,374	\$ 146,080	\$447,363	\$ 349,460
Interest income	78,439	182,058	277,255	39,753	198,510
Connection fees	13,818	54,760	24,390	102,280	26,000
Contributions for construction ^③	123,300	202,227	608,100	—	—
Prior years and other ^④	—	—	403	57,460	1,736
Total non-operating income	\$282,204	\$ 719,419	\$1,056,228	\$646,856	\$ 575,706
NON-OPERATING EXPENSES:					
Interest expense	\$196,291	\$ 195,041	\$ 172,690	\$319,154	\$ 406,514
Amortization of bond issuance costs	6,679	9,320	8,361	18,833	26,634
Prior years and other	4,778	5,462	(105,051)	1,296	3,487
Total non-operating expenses	\$207,748	\$ 209,823	\$ 76,000	\$339,283	\$ 436,635
NET INCOME (Loss) ^⑤	<u>\$(19,222)</u>	<u>\$ 407,146</u>	<u>\$ 884,110</u>	<u>\$245,295</u>	<u>\$(224,755)</u>

① Extracted from District audits by Hanson, Peterson, Cowles & Sylvester, CPAs (1972/73-1973/74); Delmer L. Sylvester, CPA (1974/75); Diehl, Evans & Co. (1975/76); Thomas O. Martin Accountancy Corp. (1976/77); copy on file at District office.

② Includes acreage assessments.

③ Represents value of constructed facilities donated to District (1972/73-1974/75). Beginning in 1975/76, this was reported as deferred revenue rather than direct non-operating revenue and reported on District Balance Sheet as contributed utility plant.

④ Includes permits and inspection fees.

⑤ Includes depreciation.

Table 7

SANTA MARGARITA WATER DISTRICT

Income and Expenses^①

	1972/73 ^②	1973/74 ^②	1974/75 ^②	1975/76 ^②	1976/77 ^②
OPERATING INCOME:					
Water sales and sanitation charges ...	\$ 43,940	\$ 161,504	\$ 377,981	\$ 685,136	\$1,028,966
Capacity sales	20,000	20,000	20,000	—	20,000
Meters	—	80,699	42,656	85,884	98,227
Other	10,787	60,096	42,161	—	31,030
Total operating income	\$ 74,727	\$ 322,299	\$ 482,798	\$ 771,020	\$1,178,223
OPERATING EXPENSES:					
Water purchases	\$ 35,068	\$ 86,537	\$ 138,254	\$ 220,452	\$ 477,204
Capacity purchases/rights	64,531	53,804	53,804	33,804	80,465
Meter purchases	—	65,555	27,131	67,352	104,741
Salaries	—	22,932	45,940	64,150	128,973
Power	5,809	20,793	57,730	98,118	142,787
Maintenance and operation	3,278	22,136	56,493	131,828	210,281
General and administrative	72,573	141,832	178,028	351,151	504,176
Other operations	699	13,656	11,796	—	—
Depreciation	86,033	174,006	193,101	252,318	251,722
Total operating expenses	\$ 267,991	\$ 601,251	\$ 762,277	\$1,163,173	\$1,900,349
Net operating income (loss) ..	\$(193,264)	\$(278,952)	\$(279,479)	\$(392,153)	\$(722,126)
NON-OPERATING INCOME:					
Property taxes ^③	\$ 150,421	\$ 330,096	\$ 469,296	\$ 678,912	\$ 883,233
Interest income	127,055	260,896	304,586	60,134	278,423
Connection fees	27,018	110,000	48,640	212,382	93,925
Contributions for construction ^④	239,750	347,519	1,021,600	—	—
Grants	—	165,862	—	—	—
Prior years and other ^⑤	480	5,999	714	9,825	23,545
Total operating income	\$ 544,724	\$1,220,372	\$1,844,836	\$1,043,868	\$1,279,126
NON-OPERATING EXPENSES:					
Interest expense	\$ 307,729	\$ 295,596	\$ 342,259	\$ 530,873	\$ 598,998
Amortization of bond issuance costs ..	12,146	14,716	13,727	23,905	34,999
Prior years and other	5,617	5,462	(123,025)	3,505	12,943
Total non-operating expenses ...	\$ 325,492	\$ 315,774	\$ 232,961	\$ 558,283	\$ 646,940
NET INCOME ^⑥	\$ 25,968	\$ 625,646	\$1,332,396	\$ 93,432	\$ (89,940)

① Includes entire District (overall plus all improvement districts).

② Extracted from District audits by Hanson, Petersen, Cowles & Sylvester, CPAs (1972/73-1973/74); Delmer L. Sylvester, CPA (1974/75); Diehl, Evans & Co. (1975/76); Thomas O. Martin Accountancy Corp. (1976/77); copy on file at District office.

③ Includes acreage assessments.

④ Represents value of constructed facilities donated to District (1972/73-1974/75). Beginning in 1975/76, this was reported as deferred revenue rather than direct non-operating revenue and reported on District Balance Sheet as contributed utility plant.

⑤ Includes permits and connection fees.

⑥ Includes depreciation.

Table 8**SANTA MARGARITA WATER DISTRICT****Balance Sheet as of June 30, 1977^①**

	Improvement District No. 1-W	Entire District ^②
ASSETS		
Plant, less depreciation	\$13,744,142	\$24,611,599
Restricted Assets:		
Cash	195,800	195,800
Temporary investments	7,425,335	16,751,544
Subtotal, Restricted Assets	\$ 7,621,135	\$16,947,344
Current Assets:		
Cash	\$ 42,883	\$ (40,014)
Accounts receivable, trade	69,102	83,834
Taxes receivable	6,482	13,621
Other accounts receivable	7,333	39,900
Investments	—	248,456
Accrued interest receivable	60,774	134,484
Prepaid expenses/Deposits	3,071	5,447
Subtotal, Current Assets	\$ 189,645	\$ 485,728
Other Assets:		
Bond issuance costs	\$ 418,698	\$ 725,829
Less amortization	(83,018)	(128,162)
Subtotal, Other Assets	\$ 335,680	\$ 597,667
TOTAL ASSETS	\$21,890,602	\$42,642,338
LIABILITIES, RESERVES AND FUND BALANCES		
Long-term Debt:	\$17,425,000	\$33,900,000
Less: portion due by June 30, 1978	(250,000)	(335,000)
Net long-term Debt	\$17,175,000	\$33,565,000
Current Liabilities:		
Accounts payable (trade/capacity)	\$ 603,427	\$ 697,613
Construction contracts payable	119,005	810,901
Long-term debt due by June 30, 1978	250,000	335,000
Accrued interest payable	339,543	751,084
Meter and other deposits	8,000	8,700
Subtotal, Current Liabilities	\$ 1,319,975	\$ 2,603,298
Reserves and Fund Balances:		
District fund balance	\$ 805,089	\$ 1,709,873
Contributed utility plant	2,590,538	4,764,167
Subtotal, Reserves and Fund Balances	\$ 3,395,627	\$ 6,474,040
TOTAL LIABILITIES, RESERVES AND FUND BALANCES..	\$21,890,602	\$42,642,338

^① Source: District 1976/77 audit report; copy on file at District office.

Table 9

SANTA MARGARITA WATER DISTRICT

IMPROVEMENT DISTRICTS NOS. 1-S and 1-W

Direct and Estimated Overlapping Bonded Debt

Estimated Population (January 1978)	16,579 ^①	
1977/78 Assessed Valuation:		
Land only	\$ 31,069,830	
All rolls	63,820,620	
Estimated Market Value:		
Land only per assessor	\$124,279,320	
Land only per appraisal	258,000,000	
All property per assessor	255,282,480 ^②	
<hr/>		
Entity	Percent Applicable ^③	Debt Applicable May 15, 1978 ^④
Orange County .....	.640%	\$ 24,384
Orange County Flood Control District .....	.640	126,144
Metropolitan Water District .....	.127	669,446
Capistrano Unified School District	9.504-9.568	3,137,058
Saddleback Unified School District	1.333	341,847
San Joaquin School District	Various	84,351
Tustin Unified High School District	Various	35,217
Saddleback Community College District	3.009	177,982
Santa Margarita Water District, I.D. No. 1-S	100.	22,890,000 ^⑤
Santa Margarita Water District, I.D. No. 1-W	100.	23,675,000 ^⑤
TOTAL DIRECT AND OVERLAPPING BONDED DEBT		<u>\$51,161,429</u>

	Ratio to			Per Capita
	1977/78 Assessed Valuation		Estimated Market Value ^⑥	
	Land Only	All Property		
Direct Debt (1-W only)	76.20%	37.10%	9.18%	\$1,428
Direct Debt (1-S only)	73.67	36.44	8.87	1,381
Direct Debt (1-W + 1-S)	149.87	72.96	18.05	2,809
Total Debt	164.63	80.16	19.83	3,086

① Source: Mission Viejo Company.

② The State Board of Equalization reported 1977/78 Orange County assessed valuations average 25.1 percent of full value except for public utility property which was reportedly assessed at 25 percent of full value.

③ Source: California Municipal Statistics, Inc., San Francisco, California.

④ Excludes revenue bonds and District's share of county authority (\$149,178) and lease-purchase obligations (\$9,381). Excludes sales and repayments, if any, between March 15 and May 15, 1978.

⑤ Includes \$6,500,000 to be sold May 15, 1978.

⑥ Land only, based on appraisal by Cedric A. White, Jr., M.A.I./Philip S. Jackson, M.A.I., 1978.

Share of Authorized and Unsold Bonds

Capistrano Unified School District ..	\$ 33,448	Santa Margarita Water District, I.D.	
Metropolitan Water District	463,550	No. 1-S	\$6,800,000
Saddleback Unified School District ..	5,465	Santa Margarita Water District, I.D.	
		No. 1-W	7,050,000

ECONOMY OF THE DISTRICT

Geography

The Santa Margarita Water District covers an area of approximately 99 square miles in southern Orange County, about 20 miles southeast of Santa Ana, the county seat and 55 miles southeast of Los Angeles. The climate of the District is typical of the coastal plain of Southern California, being mild and relatively uniform. Median temperatures recorded at the nearby El Toro Marine Corps Air Station range from a high of 71.7 degrees in July to a low of 54.2 degrees in December. Rainfall is generally confined to the period between November and March. The proximity of the District to the ocean and the prevailing wind patterns combine to produce relatively smog-free conditions.

The District is served by Interstate 5, the major north-south freeway on the west coast, thus providing access from the District to the entire Southern California region and beyond.

Population and Development

Orange County is the second most populous county in California, ranking second to Los Angeles County. The State Department of Finance estimated total county population to be 1,799,700 as of July 1977. This is an increase of 115,200 since January 1975 and 379,314 since the 1970 Federal Census. The county continues as one of the fastest growing urban areas in the nation and growth is principally occurring in the southern portion of the county, which includes the Santa Margarita Water District.

Mission Viejo began in 1966 as a totally planned community. The portion of Mission Viejo located within the Santa Margarita Water District comprises that District's coterminous Improvement Districts Nos. 1-S and 1-W. The tabulation at the top of the column opposite summarizes population growth within Orange County and the Santa Margarita Water District.

SANTA MARGARITA WATER DISTRICT ORANGE COUNTY

Population Statistics

Year	Entire District	I.D.s Nos. 1-S & 1-W	Orange County
1950	①	①	216,224②
1960	①	①	703,925②
1970	nil ③	nil ③	1,420,386②
1978	18,000③	16,579③	1,799,700④

① District formed in 1964.

② U.S. Census.

③ Mission Viejo Company estimates, January 31.

④ State Department of Finance, July 1977 estimate.

Land development and building activity within the District is discussed in detail in the previous sections of this official statement entitled "District Organization and Facilities" and "Mission Viejo".

Employment and Income

Residents of the District find employment throughout Orange County and also in the Los Angeles Metropolitan Area, although a recent survey by the Mission Viejo Company disclosed that the great majority of District residents are employed in Orange County. In 1963, Orange County was designated the Anaheim-Santa Ana-Garden Grove Standard Metropolitan Statistical Area. Employment statistics are compiled only for the entire Orange County Area. Employment data as of December 1977 and December 1976 for the Orange County Labor Market, as compiled by the State Employment Development Department, is presented in the tabulation on page 32.

As shown in that tabulation, manufacturing, trade and services are the three major categories of employment, comprising two-thirds of all jobs. Governmental employment is also a major factor in the Orange County labor market.

Orange County is ranked seventh in the nation in effective buying income (\$11.13 billion) in the 1977 *Survey of Buying Power* prepared by Sales Management Magazine. The median household effective buying income in the county was reported to be \$16,652 in the same survey.

ORANGE COUNTY LABOR MARKET

Employment by Industry

Industry	December 1976	December 1977
Agriculture	9,800	8,700
Mining	1,800	2,200
Construction	35,100	41,400
Manufacturing	161,700	170,500
Transportation, communication and utilities	19,000	20,300
Wholesale and retail trade	155,400	167,400
Finance, insurance and real estate	34,100	37,700
Services	116,000	124,300
Federal government	9,700	10,100
State and local government	90,700	94,800
Total	633,300	677,400
Seasonally adjusted unemploy- ment rate	5.4%	3.9%

Source: State Employment Development Department.

Industry

Orange County had, as of June 1977, a total of 65 industrial parks, according to a survey conducted by First American Title Company. The county has over 33,000 acres zoned for industrial use, of which about half is presently undeveloped. The State Employment Development Department reported there were over 3,500 manufacturing firms in the county in 1977.

The Irvine Industrial Complex, comprising 6,400 acres, is located about 15 miles northeast of the Santa Margarita Water District. Over 400 industrial firms have located in the complex, including Beckman Instruments, Collins Radio Corporation, Parker-Hannifin Company, Bertea Corporation, Varian Data Machines, Allergan Pharmaceuticals and Xerox Corporation.

The largest plant in the complex is the recently completed corporate headquarters of Fluor Corporation. About 6,000 employees will initially occupy the facility with an ultimate number of 8,500.

A 2,000-acre expansion of the Irvine Industrial Complex is currently under development. The entire complex is served by the Orange County Airport, railroads and freeways, providing ready access to virtually any point in the nation and abroad.

Located just to the west of the District is the Mission Viejo Industrial Park, comprising 90 acres,

and the adjacent 54-acre computer plant of Burroughs, Incorporated.

Table 10 on page 34 lists major industrial employers within Orange County as reported by the Orange County Chamber of Commerce. Other large employers within the county include Federal, State and local governments, University of California at Irvine, California State University at Fullerton, various school districts, hospitals, utilities, shopping centers, Disneyland, Knott's Berry Farm and Air California.

Commerce

Commercial development in the Mission Viejo area is planned around individual neighborhoods. Several neighborhood shopping centers have been recently constructed. Two Safeway Markets, two Alpha Beta food markets and a Ralph's are now open in Mission Viejo neighborhoods. Businesses represented include Bank of America, Security Pacific National Bank, United California Bank, Crown Drug Co., Allstate Insurance Co., Keystone Savings & Loan, Union Federal Savings & Loan, several specialty stores and a theater. There is also a Holiday Inn and a number of restaurants, principally around the intersection of La Paz Road and Interstate 5. Overall, Mission Viejo currently has over 350 businesses occupying over 1.5 million square feet. Presently in operation in Mission Viejo are Toyota, Volvo, Mercedes-Benz and Fiat, BMW, automobile and Honda motorcycle dealerships.

Orange County has 15 major shopping centers plus one under construction. These are regional centers, mostly covered malls, that have a wide range of stores including both those of major department chains and individual specialty shops. The major shopping centers closest to the District are listed in the next paragraph.

Fashion Island, in Newport Beach, is a regional shopping center for central and southern Orange County. About 15 miles from Mission Viejo, Fashion Island contains four major department stores, and 56 specialty shops and restaurants. South Coast Plaza in Costa Mesa, Laguna Hills Mall in Laguna Hills, and Bullock's Fashion Square in Santa Ana are other nearby shopping centers.

Construction began on the Mission Viejo Regional Shopping Center in January 1977. This center, located along Interstate 5 adjacent to the District, will provide three major department stores, a wide range of shops, restaurants and other commercial outlets

in 750,000 square feet of floor space. Completion is scheduled for early 1979.

In addition, the Irvine Company is developing a \$300 million commercial and office complex to be located about five miles northwest of Mission Viejo. The first phase, to be opened in 1979, will comprise 470 acres and include five department stores, more than 100 specialty shops, a hotel and other facilities.

The tabulation below presents a summary of taxable sales transactions in Orange County since 1972, as reported by the State Board of Equalization.

ORANGE COUNTY

Taxable Transactions

Year	Outlets July 1	Taxable Transactions
1972	31,349	\$3,931,107,000
1973	33,308	4,701,633,000
1974	36,485	5,210,519,000
1975	40,448	5,751,433,000
1976	44,816	6,965,894,000
1977 (9 mos.)	49,826	6,269,449,000

Source: State Board of Equalization.

Transportation

Interstate freeways 5 and 405 intersect about five miles north of Mission Viejo. Interstate 5 is the major north-south route along the Pacific Coast. Interstate 405 is an alternate route that branches from Interstate 5 north of Los Angeles (becoming the San Diego Freeway), passes through the coastal cities of Santa Monica, Long Beach, and Huntington Beach, and rejoins Interstate 5 five miles north of Mission Viejo.

The Orange County Transit District operates 33 routes throughout the county, with stops in Mission Viejo. Greyhound provides interstate bus service from stops in the adjacent communities of El Toro and San Clemente.

The Los Angeles-San Diego mainline of the Santa Fe Railway is located immediately west of the District. Amtrak-operated rail passenger service to all points is available to District residents at nearby San Juan Capistrano.

Orange County Airport, located 15 miles northwest of the District, is served by Air California, Hughes Airwest and Golden West Airlines. Air freight service is also provided by the airlines. Extensive general aviation facilities are also available at the airport.

A neighborhood shopping center located at the intersection of Marguerite Parkway and Trabuco Road in Mission Viejo.



Table 10

ORANGE COUNTY MAJOR INDUSTRIAL EMPLOYERS

Firm	Principal Product	Employees
Hughes Aircraft Co.	Radar systems/aerospace	7,900
Fluor Corporation	Engineering contractors	6,000
Rockwell International	Electronic systems	6,000
McDonnell-Douglas Astronautics	Space systems	5,000
Beckman Instruments, Inc.	Instrumentation	3,950
VSI Recreational Products	R.V. water/waste systems	3,710
Northrop Corp.	Aerospace electronics	2,865
California Computer Products	EDP equipment	2,800
Ford Aerospace & Communications	Aerospace	2,750
General Electric Supply Co.	Electrical products	2,605
California Computer Products	Software	2,600
Burroughs Wellcome Co.	Pharmaceuticals	2,100
ITT Cannon Electric	Electrical connectors	2,000
U.S. Electrical Motors	Motors	2,000
Hunt-Wesson Foods	Food products	2,000
Rockford Aerospace Products	Fasteners	1,752
Interstate Electronics Co.	Missile instrumentation	1,700
McGaw Laboratories	Intravenous sets	1,700
Smith Tool Co.	Oil drilling tools	1,500
Kwikset	Hardware	1,400
Teledyne	Electric test equipment	1,300
General Automation, Inc.	Mini-computers	1,145
Liken Home Furnishings	Home products	1,100
Anaconda Telecommunications	Electronic communications	1,100
Parker Hannifin Co.	Missile components	1,100
Bertea Corporation	Hydraulic valves	1,000
Kirkhill Rubber Co.	Rubber products	1,000
Irvine Company	Land development	950
Executive Industries	Motor homes	800
AMF Voit Inc.	Sporting goods	800
Medical Plastics	Plastics	800
Altec Corp.	Electronics	800
SPS Inc.	Fasteners	800
Townsend Textron	Fasteners	800
Computer Automation Inc.	Computers	800
Burroughs Corp.	Computer systems	745
MSI Data Corp.	Field entry equipment	740
Aerojet General	Nuclear reactors	706
Allergan Pharmaceuticals	Ophthalmic drugs	700
Freedom Newspapers Inc.	Publishers	700
Kimberly-Clark Corp.	Paper products	700
Microdata Corp.	Mini-computers	700
Varian Data Machines	Mini-computers	700
Federal Mogul Corp.	Aerospace components	625
Bentley Laboratories	Medical products	600

Source: *Orange County Business and Industrial Directory, 1978 Edition.*

Utilities

Utility services, all underground, are provided to District residents by the following:

Electricity: Southern California Edison Company; San Diego Gas and Electric Company

Natural gas: Southern California Gas Company

Telephone: Pacific Telephone Company

Water and Sewer: Santa Margarita Water District, as discussed previously

Education

The Mission Viejo area is served by four pre-schools, eleven elementary schools, an intermediate school, Capistrano Valley High School and Mission Viejo High School.

Saddleback Community College in Mission Viejo offers two-year programs leading to a two-year degree or transfer to a four-year institution. The college district covers a 376-square mile area including most of southern Orange County. Total 1977/78 enrollment is 15,400.

University of California, Irvine, about 15 miles from the District, is one of the university's nine campuses. Five schools are central to the academic structure at Irvine: biological sciences, fine arts, humanities, physical sciences, and social sciences. Professional degrees are offered in engineering, business administration and medicine. Fall 1977 enrollment was over 12,000, including graduate and medical students.

Other institutions of higher learning in Orange County are California State University at Fullerton; Chapman College in Orange; Pacific Christian College, Fullerton; Southern California College, Costa Mesa; West Coast University, Orange; and Western State University College of Law in Fullerton, plus the following 2-year community colleges; Cypress Community College; Fullerton Community College; Golden West College; Orange Coast College; and Santa Ana College.

Community Facilities

The community is served by Mission Community Hospital, a 212-bed facility offering patient care, 24-hour emergency room, a separate 35-bed intensive care unit, and a recuperative care unit. La Paz Medical/Dental Center and a new medical/dental center provide support services to the hospital.

Municipal services such as police and fire protection and library are provided by Orange County as

Mission Viejo is unincorporated. Three county fire stations are located in Mission Viejo, one station site having been donated by the Mission Viejo Company. A county library is also located within the community.

A newspaper, the *Mission Viejo Reporter*, is published monthly by the Mission Viejo Company. Los Angeles and Orange County dailies are also delivered to the community. Mission Viejo Cablevision, a subsidiary of Times-Mirror Corporation, brings television cable service to the area, enabling residents to receive Los Angeles and San Diego stations.

Recreation and Tourism

Mission Viejo currently has five neighborhood parks and a 26-acre wilderness area. Mission Viejo Company plans to have 26 neighborhood and two community parks by the time the present Mission Viejo planned community is fully developed, in about 1986. Four recreation centers, Montanoso, Marguerite, Sierra and Felipe, are private facilities whose members are entitled to use any one of the centers through individual memberships. Casta del Sol Center is an adult recreation center open to residents of that adult neighborhood. Casta del Sol, Felipe and Marguerite Recreation Centers are located in Santa Margarita Water District.

In addition to the facilities of parks and recreation centers, the community has many recreation programs and planned activities.

Golf courses are available at the private Mission Viejo Golf Club or at the public course at Casta del Sol. Mission Viejo Golf Course, designed by Robert Trent Jones, is 6,600 yards with 50 traps and 5 lakes, with a par of 72. Adjacent to the clubhouse is Mission Viejo Inn, open to the public with restaurant facilities. Casta del Sol Golf Course is a 3,621 yard 18-hole executive golf course.

Spectator events such as the Virginia Slims Pro Tennis Tour, the Los Angeles International Swim Meet, the CBS "Challenge of the Sexes" and the Southern California Professional Golfers Association Championship have been hosted at Mission Viejo recreation facilities. The Mission Viejo Swim Club is the home of a number of medal winners of the 1976 United States Olympic Swim Team.

In addition to facilities within or nearby Mission Viejo, Orange County offers a broad spectrum of recreational opportunities which are enhanced by its mild climate.

Along the county's Pacific Coast shoreline are five state beaches and parks, five municipal beaches and five county beaches. There are small craft facilities in Newport Harbor, reported to be the largest pleasure craft harbor in the world. A second small craft facility is located at Sunset Harbor in Huntington Beach. A third opened at Dana Point in 1971.

Nearby recreational facilities include the world-famous Disneyland, Knott's Berry Farm, and Mission San Juan Capistrano. Lion Country Safari opened in June 1970 at a 500-acre site four miles north of Mission Viejo. It contains a variety of wild animals

and birds which visitors may observe on a drive through the facility.

Anaheim Stadium, home of the California Angels baseball team, is 15 miles north of Mission Viejo.

Camping facilities are available in the Cleveland National Forest and at the county's O'Neill, Ronald W. Caspers and Featherly Parks. Orange County has adopted a Master Plan of Regional Parks which calls for development of 28 parks in three priority groups. Nearby State parks are Doheny, San Clemente and San Onofre.

Aerial view of the Marguerite Recreation Center, located within the District, serving Mission Viejo residents.





CEDRIC A. WHITE, JR., M.A.I.

REAL ESTATE APPRAISER

2651 WOODLAND DRIVE • ANAHEIM, CALIFORNIA 92801 • (714) 527-0261

March 8, 1978

Santa Margarita Water District
25571 Marguerite Parkway
Mission Viejo, California 92675

Re: Appraisal of Land Within
Improvement District No. 1-W,
Santa Margarita Water District
Orange County, California

Gentlemen:

Pursuant to the letter of authorization from Mr. W. W. Knitz, General Manager, dated January 31, 1978, we have examined the above referenced property for the purpose of rendering an opinion of its market value as of January 31, 1978.

After inspection and analysis of the property, it is our conclusion that the market value, as of said date, was \$258,000,000.

TWO HUNDRED FIFTY-EIGHT MILLION

This value may be allocated as follows:

Developed Land	\$223,000,000
Undeveloped Land	\$ 35,000,000

The total value represents the summation of the value of all the individual parcels within the District as generally parcelized by the Orange County Assessor. The reported value is for land only, and no structures were included.

Since September, 1972, the undersigned appraisers have been involved independently or jointly in three appraisals of the subject land area. In the preceding appraisal, dated September 2, 1976, the value conclusion was \$146,000,000.

The increase of \$112,000,000 is primarily attributable to four factors:

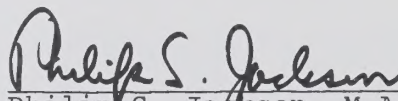
1. Land development cost has increased by approximately \$50,000,000.
2. There has been a major general increase in land value since the prior appraisal.
3. The number of developed lots has increased by 3,435, which has converted a 1,675 acre segment of raw land into relatively small individual parcels.
4. The raw land area has decreased in size and is now 1 1/2 years nearer to ultimate development.


Santa Margarita Water District
March 8, 1978
Page 2

Within the following short-form appraisal report are summaries of the current development status, property description, market data and valuation analysis.

Additional appraisal information and market data details are retained in our files, but are available for discussion upon request.

Very truly yours,


Philip S. Jackson, M.A.I.


Cedric A. White, Jr., M.A.I.

PSJ:dh

U.C. BERKELEY LIBRARIES



C124882859

INSTITUTE OF GOVERNMENTAL
STUDIES LIBRARY

FEB 22 2024

UNIVERSITY OF CALIFORNIA

